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THE UNIVERSITY OF ALBERTA

APPEALS OF SCHOOL BOARD REQUISITIONS IN

ALBERTA, 1948-1960

by

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ABSTRACT

In 1948, due primarily to the mounting pressure of rising educational taxation and to the increasing friction between school and municipal governments, the province of Alberta enacted legislation to establish a commission to investigate appeals of municipalities against the mandatory requisitions for educational tax revenue which school boards made upon the collecting municipal authorities. During the period 1948 to 1950, the appeal board consisted of an appointed commissioner; from 1951 to 1960, the appeal board's functions were made a responsibility of the Board of Public Utility Commissioners.

The operation of these requisition appeal commissions during the period 1948-1960 was investigated and described, and an analysis was made to determine the impact of the commissions upon the fiscal and administrative independence of Alberta school boards. The above study was achieved by an examination of the records which were kept by the appeal commissions of hearings held in conjunction with their investigations.

The study has revealed that the nature of local school government has been changing so as to result in a decreasing degree of fiscal independence for Alberta school boards, that the establishment of appeal commissions was one step of this process, and furthermore, that neither theory, research, nor experience have shown that this diminution of autonomy has had a detrimental effect either on local school administration or on the quality of educational services offered.

In the period covered by the study, it was found that forty-seven

school requisitions were appealed by municipalities, and that of these, thirty-three requisitions were approved as originally submitted and fourteen were reduced. No evidence was found of inconsistency in the decisions handed down by the appeal commissions. In cases where reductions were made, no evidence could be found that educational programs were in any way curtailed as a result of commission judgments. In view of the above conclusions, and furthermore, in view of the relatively low frequency of appeals and the small actual amount of total reductions as compared to total requisitions, it was concluded that appeal commissions have had an insignificant effect upon the fiscal operations of school boards or upon the stabilization of the school tax rates. However, the psychological impact that the existence of appeal commissions may have had on school board policy-making and budget-planning was a factor that was not investigated. The principles of finance advocated by the commissions in making their investigations and decisions were found to have support in educational literature.

ACKNOWLEDGEMENTS

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CHAPTER I

THE NATURE OF THE STUDY

This chapter explains the nature of the study which is reported in this thesis. It describes the purposes and the reason for the study, its limitations, the method of inquiry, the sources of information, and the general organization of the thesis. It includes also a definition of terms.

INTRODUCTION

Originally school boards in Alberta levied and collected their own taxes. However, developments in local government in the province during the 1930's changed the status of local school boards to that of requisitioning rather than tax-collecting bodies. As a result, the local municipal governments became the tax-collecting authorities not only for municipal purposes but also for school purposes. School boards drew up their budget estimates and requisitioned the municipal collecting authorities for the local tax revenue needed for education. The payment of such requisitions was mandatory upon municipal councils. Until 1948, municipalities had no power to modify school board requisitions. In 1948, however, as a culmination to mounting pressure put on the provincial government by municipalities, legislation was enacted which granted municipal bodies the right to appeal, under certain conditions, the requisitions which school boards levied upon them. During the period 1948-1960, the function of hearing these appeals

and of making decisions relative to them was performed at first by the Deputy Minister of Municipal Affairs and subsequently by the Board of Public Utility Commissioners.

PURPOSE OF STUDY

Main Purposes

The operation of requisition appeal commissions¹ in the province of Alberta for the period 1948 to 1960 was studied to determine:

1. The legal conditions under which appeals were made.
2. The extent to which the appeals were properly constituted.
3. The procedures followed throughout in the appeal hearings.
4. The frequency of the appeals.
5. The types of school and municipal governments involved in the appeal cases.
6. The results of the appeal hearings and the impact upon school budgets and fiscal independence.
7. The grounds upon which the appeals were based.
8. The principles upon which appeal board decisions were based.

Problems 6, 7 and 8 as listed above constitute the primary interests of this study. The main intent of this thesis is to describe the past performance of appeal boards in the province of Alberta and to place on

¹The term requisition appeal commission or requisition appeal board shall be used hereafter to refer to the official or to the body which was assigned the function of approving or modifying school board requisitions which were appealed by municipal governments.

record the findings concerning their operations and decisions.

Secondary Purposes

It became apparent from the outset of this study that an investigation to satisfy the primary purposes would yield findings about only one facet of the much broader issue of fiscal and administrative relations between school boards and municipal governments in Alberta. A knowledge of this broader issue was considered basic to an intelligent understanding and proper interpretation of the findings. As a result the following sub-problems were also investigated in this study:

1. Historical developments in Alberta school-municipal relations in the areas of finance and administration.
2. Types of controls over the fiscal activities of school boards in Canada and the United States.
3. The case for and against the fiscal independence of school boards.

REASON FOR THE STUDY

The practise of Alberta municipalities appealing disputed school requisitions to a requisition appeal commission for approval or modification has been in existence for a sufficient period of time to have had some effect upon educational finance and administration in this province. This study provides a historical record of this important development in Alberta education and attempts to analyse the effect of requisition appeal commissions upon the operation of school boards. If there is something to be

learned from past practice, it can only be done by recording and critically analysing this practice. As yet, no history has been written, nor any study made of the operation of requisition appeal boards in Alberta. As far as could be determined from the literature, the same applies to British Columbia and Saskatchewan, the other two provinces which have agencies similar to Alberta requisition appeal boards.

LIMITATIONS OF THE STUDY

This study is primarily descriptive rather than normative in nature. The most important purpose served by the inquiry is to describe the operation of appeal commissions in the province of Alberta from 1948 to 1960. The study is not designed to show conclusively that the existence of appeal machinery in this province is desirable or undesirable or that the existence of appeal boards should be continued or discontinued, or that their operation should be improved or modified in any way. Furthermore, criteria to evaluate the soundness of the principles upon which appeal commissions made their decisions were found to be equivocal in the literature. Theoretical positions and research findings on the question of whether school boards should be fiscally dependent or independent were also found to be equivocal. Consequently, it was difficult to give final conclusions concerning these topics.

Another limitation which must be acknowledged is that not all of the records of cases heard by appeal boards were found. Enough information was available, however, to ascertain that during the period covered by this study forty-seven decisions, either approving or reducing requisitions were handed down by commissions. Of these forty-seven cases, fourteen were

reduced; some records were found of all of these. Of the thirty-three appeals in which requisitions were approved, some records were found of twenty cases but no records could be found for the remaining thirteen. The unavailability of data concerning these cases did not seriously hamper the achievement of the purposes of this study. No attempt was made to contact either the school or municipal authorities involved in the cases studied for further information.

Another limitation which should be mentioned concerns the nature of the material found in the various files and records that were searched. In the years 1948, 1949, and 1950, appeals were heard by a commissioner who was at that time the Deputy Minister of Municipal Affairs. The reports that were made on each of the cases heard were very brief. Although they usually mentioned the reasons why a school board requisition was being appealed, they did not give reasons for the decisions that were made by the commissioner. When the function of hearing appeals was transferred to the Board of Public Utility Commissioners in 1951, more complete records were kept and more detailed reports were made. Appendix A contains a sample of a report made in 1948 and one of a report made in 1950. These two documents serve to illustrate the range in the amount of information that could be gleaned from the records. Despite the limitation of brief reports and missing records, enough information was found to make the study possible.

DEFINITION OF TERMS

The terms defined in this section are those whose meaning and use may not be clear from the context. Terms used only infrequently are defined in footnotes where needed.

Fiscal Independence and Dependence

When a school board has the legal right to levy taxes and to spend the income therefrom without securing the approval of the mayor, city, council, county budget commission, or some other governmental agency, it is said to have fiscal independence. When the board cannot levy and spend taxes without securing the approval in whole or in part of some other governmental agency, it is said to be fiscally dependent.²

Administrative Independence or Independent School Board

A school board shall be considered to have administrative independence or to be independent if it is elected by the voters of a district and if, in addition, no other government body has the right to impose its judgment upon any administrative or fiscal decisions made by the board. Fiscal independence shall be understood to be a necessary condition for administrative independence. It is understood or implied in the literature by most writers that fiscal independence and administrative independence are inseparable; that is, a school board cannot have administrative independence unless it has fiscal independence.³

²W. S. Monroe (ed.), Encyclopedia of Educational Research (revised edition; New York: The Macmillan Co., 1950), p. 103.

³R. W. Holmstead, "Fiscal Controls," Problems and Issues in Public School Finance, eds. R. L. Johns and E. L. Morphet (New York: The National Conference of Professors of Educational Administration, 1952), p. 276; National Education Association and the American Association of School Administrators, Educational Policies Commission, The Structure and Administration of Education in American Democracy (Washington, D. C.; the Commission, 1938), p. 52; C. E. Reeves, School Boards (New York: Prentice-Hall, Inc., 1954), p. 51.

Municipal Government

This term, when referring to Alberta, shall mean the governing council of any city, town, village, municipality, county, improvement district, or special area.

Special Area

Special area shall be understood to be the administrative device set up by the province of Alberta to provide local government services and to regulate land use in areas of southeastern Alberta where unproductiveness and scarcity of population make local government impossible. During the period 1948-1960, special areas were under the jurisdiction of the Department of Municipal Affairs and were governed by a three-man board appointed by the provincial government. An advisory committee of sixteen ratepayers was elected annually by districts to meet once a year with the board to make recommendations and to air grievances. School divisions and districts covered parts of the special areas.⁴

School Board

This term, when referring to Alberta, shall mean the school committee of any county or the school board of any city, town, village, rural school district, school division, or consolidated school district.

Consolidated School District

Consolidated school district shall refer to an Alberta school

⁴E. J. Hanson, Local Government in Alberta (Toronto: McClelland and Stewart, Ltd., 1956), p. 86; Government of the Province of Alberta, "Special Areas of Alberta," Within Our Borders (August 15, 1952).

district formed by approval of the Minister of Education from the union of two or more non-divisional districts that are not less than thirty nor more than eighty square miles in area. The school board of a consolidated school district consists of one trustee elected from each of the original rural districts and two trustees elected by a town school district if it is included in the consolidation.⁵

Board of Public Utility Commissioners

This shall refer to the board which was created by provincial statute in 1915 and which has assumed since that time various responsibilities such as approving debenture issues, regulating the rates charged by both private and public utilities, adjudicating local government disputes over boundaries and zoning regulations, investigating the finances of municipal districts when requested to do so by the provincial government, and hearing school requisition appeals. The board consists of three members appointed by the provincial government. It has exercised jurisdiction under more than sixty provincial statutes.⁶

METHOD OF INQUIRY AND SOURCES OF INFORMATION

The bulk of the data for this study was gathered from the files and records of the Board of Public Utility Commissioners, the Local Authorities Board, the Department of Municipal Affairs and the Department of Education. The sources which yielded useful information consisted of the reports and

⁵ Alberta. The School Act. R. S. A. 1955, c. 297, s. 22 and s. 83.

⁶ Hanson, op. cit., pp. 90-91.

records of requisition hearings, school district and school division files, and school budget statements and financial reports. Additional data, particularly that dealing with procedures followed during appeal hearings, were secured by interview and discussion with various personnel who were in some way connected with appeal hearings. Where information from this source is used in the body of the thesis, it is so acknowledged. All other data contained in this study were gathered from the literature and from government documents such as annual reports and statutes. The data so gathered were organized and presented on the basis of the eight problems set forth on page 2 under the section "Purpose of the Study."

THE ORGANIZATION OF THE REMAINDER OF THE THESIS

Chapter II traces the history of the changing relationships between Alberta school boards and municipalities in the areas of educational finance and administration. Chapter III is devoted to a survey of the statutes and the literature dealing with types of controls that are used to regulate the fiscal and administrative independence of school boards both in Canada and in the United States, and presents the arguments for and against the fiscal independence of school boards. Chapters II and III together cover the sub-problems as listed on page 3 of this chapter.

Chapters IV, V, and VI are devoted to the main purposes of this study. Chapter IV covers problems one to six inclusive. It deals with the legal provisions under which appeals were made, the extent to which the appeals were properly constituted, the appeal procedures, the frequency of appeals, the types of municipal bodies and school boards involved in

the appeals, and the results of the appeal hearings. Separate divisions, Chapters V and VI, are allocated to problems seven and eight because the related findings were considered to be the main interests of this thesis. Chapter V deals with the grounds for appeals and Chapter VI with the rationale underlying appeal board decisions.

Chapter VII is a summary chapter which restates the developments of the previous chapters and recapitulates the major findings and conclusions of the whole study.

CHAPTER II

A BRIEF HISTORY OF SELECTED FISCAL AND ADMINISTRATIVE DEVELOPMENTS IN ALBERTA EDUCATION

A brief history of selected developments in educational finance and administration and of changing school-municipal relations is given in this chapter. This historical review is necessary for at least four reasons. Firstly, it leads to an understanding of the events which led up to the formation of appeal commissions in Alberta. Secondly, it makes possible a more accurate interpretation and appraisal of the role that appeal commissions have played in Alberta education. Thirdly, it shows that the provision for appeal machinery has been only one of many attempts to resolve intergovernmental problems at the local level. Lastly, it illustrates that the Alberta picture with respect to local government in education has not been static but one of continual change.

INTRODUCTION

When the Province of Alberta was established in 1905, its government assumed full responsibility for educational and municipal affairs. In practice, however, the provincial government has delegated to school boards and to municipal councils much of the responsibility which pertains to school and municipal services. Under the law, school boards and municipal governments are considered to be separate corporations, each having their separate delegated functions, powers and duties. Within its legal frame of reference each operates separately and autonomously even though

the two may be carrying out their functions in the same geographic area. Enns has pointed out that although many of the functions performed by school boards and municipal governments are interrelated, neither authority has the power to act for the other or to interfere with the other unless given such powers by law.¹ Bergen has indicated further that if any local government fails to carry out its obligations, its delegated powers and responsibilities may be rescinded.²

Despite this very distinct legal delineation of duties and responsibilities between school boards and municipalities, the fact remains that many of the activities and services that are performed by each are of such a nature that mutual planning, cooperation, and even overlapping are unavoidable. Both agencies are mutually concerned with boundaries, amalgamations, assessment and taxation of property, building sites, roads, health services, library services, and other matters of this nature. The consequence of this mutual concern with common factors is a continually changing picture of local government organization and relations. This change is reflected in changing legislation and legal provisions governing interrelationships between the municipal governments and school boards.

EARLY SCHOOL DISTRICT ORGANIZATION

When the province of Alberta was established in 1905, there were

¹F. Enns, "School Board-Municipal Roles in Education," The Canadian Administrator, 1:2 (November, 1961), pp. 7-10.

²P. F. Bergen, The Legal Status of the Canadian Public School Pupil (Toronto: The Macmillan Co. of Canada, Ltd., 1961), p. 10.

561 school districts in existence, most of which were rural.³ As the rural parts of Alberta became settled and as the urban and town regions became more populated, new school districts were formed in ever-increasing proportions. Typically the early rural districts were quite similar, each being from sixteen to twenty square miles in size, and each having a three-man board and a one-room school. All the school districts were autonomous units of administration and were maintained through taxation and legislative grants.⁴

Prior to 1931 the school districts obtained their tax revenue in several different ways. With respect to this, Hanson writes:

At first school districts levied and collected their own taxes. . . . Gradually the districts arranged to have their taxes collected by the municipalities concerned. This development, of course, had to await the organization of municipalities which often followed, rather than preceded, the establishment of school districts. Some school districts continued to levy and collect their own taxes until recent years when the Provincial Government abolished the practice entirely.⁵

To complete the picture of arrangements with regard to taxation for local school purposes, mention should be made of local improvement districts. Shortly before the 1920's, there were almost as many local improvement districts as there were rural municipalities.⁶ The

³Dominion Bureau of Statistics, The Organization and Administration of Public Schools in Canada (second edition; Ottawa: The Queen's Printer, 1960), p. 43.

⁴Department of Education, Government of Alberta, School Divisions in Alberta (Edmonton: The King's Printer, 1945), p. 7.

⁵E. J. Hanson, Local Government in Alberta (Toronto: McClelland and Stewart, Ltd., 1956), p. 11.

⁶Ibid., Chapter IX.

improvement districts were established by the provincial government in the less developed areas of the province which as yet were unable to organize their own local municipal governments. They consisted of nine townships each and served as administrative units in which the provincial government, through the Department of Municipal Affairs, performed the functions normally allotted to the elected municipal councils. The Department of Municipal Affairs levied and collected the property tax and also disbursed the requisitions of the school districts within the boundaries of the improvement districts.

ORGANIZATIONAL AND OTHER DEVELOPMENTS FROM 1931 TO 1945

As the economic depression developed in the 1930's, school districts found themselves in great financial difficulties.⁷ Grants from the province had greatly decreased; bank loans to individual school districts failed to meet the situation. Taxes could not be collected. Many schools could not operate for the entire school year. Repairs and upkeep of buildings could not be managed. Expenses for libraries, equipment and teachers' salaries were cut. Some school districts got so far behind that they owed money to as many as five teachers at once.

Goresky describes some of the early measures utilized by local boards to cope with the situation:

In most districts people carried on a campaign to obtain at least a portion of the taxes. Drastic salary reductions were

⁷I. Goresky, "The Beginning and Growth of the Alberta School System," (unpublished Master's thesis, The University of Alberta, Edmonton, 1944), p. 130 ff.; Department of Education, Government of Alberta, School Divisions in Alberta: After Three Years (Edmonton: The King's Printer, 1940), passim.

made. Requisitions for libraries and supplies were cut down. In new areas log buildings were built by cooperative effort. In the extreme north teachers accepted as salary the labor of homesteaders on their own homesteads. In other parts teachers boarded from house to house, the amount owing for board being applied to the ratepayer's tax account.⁸

The state of affairs just described heralded two important developments. The first of these was the passing of The Tax and Rates Collection Act in 1931, and the second the passing of Part XVII of The School Act in 1936.

The Tax and Rates Collection Act, 1931

Goresky states that in order to save the financial situation of Alberta from collapse, the provincial government passed The Tax and Rates Collection Act in 1931, making the municipality the collecting agency for taxes instead of the school district.⁹ There were several advantages to this. The municipal councils because of their control over larger areas could borrow money from banks more easily and thus provide at least a part of the amounts necessary for operation of schools. The function of collecting taxes was performed by one body, thus avoiding duplication of this function by local school boards. The municipal councils were more efficient collecting agencies and could take more effective action to collect taxes which were in arrears.

The Formation of School Divisions

The second important event stemming from the depression of the

⁸Ibid., p. 131.

⁹Ibid., p. 131.

the 1930's was the formation of the Alberta school divisions.¹⁰ Overtures to the reorganization of school districts into larger administrative units were made intermittently during the early 1930's. In 1934, a committee of ten members of the Legislative Assembly was formed to study the very serious difficulties confronting the rural school districts. The most important recommendation of this committee was the proposal to establish larger units of school administration. Unsure of public support for such reorganization, the government did not act immediately upon the recommendations. In 1935, a provincial election was held and the new Social Credit Party was swept into power with an overwhelming majority. By the fall of 1935, the new government distributed a pamphlet entitled What Is and What Might Be Rural Education in Alberta announcing a plan to introduce a new system of larger school units immediately. In the spring of 1936, enabling legislation, Part XVII of The School Act was passed and the reorganization, the first of its kind in Canada, proceeded forthwith.

School divisions were set up by Ministerial Order. By the beginning of 1940 there were forty-six, each consisting of from sixty to eighty school districts. At first only rural districts comprised a division, but later towns and villages were permitted to join on terms mutually agreed upon. By 1945 practically the whole of rural Alberta was reorganized; it consisted of fifty divisions in which were included 3,515 school districts.

¹⁰The data relating to Alberta school divisions were collected from Goresky, op. cit., pp. 147-150; and from the following Alberta Department of Education publications: What Is and What Might Be Rural Education in Alberta, 1935; School Divisions in Alberta: One Year's Experience, 1938; School Divisions in Alberta: After Three Years, 1940; School Divisions in Alberta, 1945.

The affairs of a school division were administered by an elected three or five-man board of trustees that assumed the fiscal and administrative powers and responsibilities of the original local district boards. However, in order to retain at the local level some responsibility for school affairs, the legislation enabled the local school districts to continue electing their three-man boards. These boards served as liaison and advisory units between the local people and the divisional boards. The whole division constituted the taxing area for local taxes, but the municipal authorities remained the tax collecting agencies.

Municipal District Reorganization

Coming later but paralleling the reorganization of school districts was the enlargement of the rural municipal districts. This reorganization was undertaken for many of the same reasons that motivated the reorganization of the school districts. It was hoped that the larger municipal unit would prove to be more efficient both economically and administratively and that the tax burden would be spread more evenly within the unit. The reorganization, begun in 1941, proceeded with such vigor that it was virtually completed in 1944 with the result that out of an original 143 small districts, sixty enlarged districts were formed.¹¹

This enlargement and reorganization proceeded a step further during the period 1953 to 1954 when the government undertook to revise the boundaries of the school divisions and the municipal districts to make them coincide. Fifty coterminus areas resulted from the reorganization.¹²

¹¹Hanson, op. cit., Chapter XII.

¹²Ibid., Chapter XIV.

SCHOOL-MUNICIPAL LEGISLATION IN 1946 AND 1948

Rideout writes that during periods of increasing school costs or diminishing sources of revenue, or both, the existence of a separate body for the administration of educational services is questioned and two courses of action are usually advocated. One proposal is the abolition of independent school boards and the assumption of their powers and duties either by the central authority or by a committee of the central authority; the other alternative is the exercise of greater control by municipal governments over expenditures of school boards.¹³

Conditions Prior to 1946

A study by Uhlman has borne out that Rideout's conditions of increasing school costs and decreasing sources of local revenue came into existence in Alberta following school division reorganization.¹⁴ The study showed that educational expenditures in Alberta had increased steadily from 1936 to 1956. Expenditure per pupil rose from sixty-two dollars in 1936, to ninety-nine dollars in 1946, and to two hundred and fifty dollars in 1956. Uhlman attributed the rising costs to the transformation of the rural education system and to the rapidly increasing needs for the expanded facilities and means necessary to provide a wide range of educational opportunities for a rapidly growing school population.

¹³E. B. Rideout, "Municipal Participation in Education," Canadian Education, IX:3 (June, 1954), p. 13.

¹⁴H. J. Uhlman, Rural Alberta: Patterns of Change, University of Alberta Monographs in Education, No. 5 (Edmonton: The Advisory Committee on Educational Research, 1961), Secs. 4-5 passim.

The Uhlman study also showed that the changing economic conditions in agriculture which prevailed during the period of school district reorganization placed limits upon the local revenue available from land taxes.¹⁵ It appeared evident, therefore, that following the organization of Alberta school divisions, not only did school costs increase, but the local source of revenue became strained.

The concern over rising school expenditures reached a level in 1945 that demanded action.¹⁶ Municipal councils were gravely concerned that they had no way of controlling the expenditures of the requisitioning school authorities. Friction developed as both sides aired grievances. School trustees complained that the school boards were not getting a share of collected tax arrears, that municipal councillors were too preoccupied with improving roads and with deliberately keeping down their own mill rates so that school rates would appear disproportionate in comparison. Municipal councils complained that school boards built schools and then used these as levers to demand road improvements for bus transportation, that school boards requisitioned exorbitantly, and that school boards were using current revenue to build up reserves. Added to this bilateral controversy, ratepayers demanded improvements in quantity and quality of services and complained about rising taxes. Furthermore, the overlapping of boundaries led to a variety of mill rates and services within some

¹⁵Ibid., Sec. 4.

¹⁶Both Reeves and Swift describe the state of affairs during this time. See A. W. Reeves, "School District Reorganization," Canadian Education, X:4 (September, 1955), pp. 50-62; W. H. Swift, "Counties--Amalgamated Administration," Canadian Education, X:1 (December, 1954), pp. 43-45.

municipalities, and this in turn led to confusion and unfavorable comparisons among ratepayers. The state of affairs just described led the provincial government to make several attempts to remedy the situation.

Legislation in 1946

In 1946, the provincial government made the first attempt to harmonize the relations between school and municipal governments. It passed an act which provided that both local governments could send a representative to the other's meetings.¹⁷ The representatives could participate in all discussions which related to matters coming under their jurisdiction, but they held no voting privileges. It was hoped that this mutual representation would allay some of the dissension that had arisen between school boards and municipal councils. It is difficult to say what degree of success this legislation had in achieving its purpose, but the fact that just two years later requisition appeal bodies were established would indicate that the problem had not been entirely solved.

Appeal Bodies Established

The conditions that have just been described were primarily responsible for the setting up of the requisition appeal boards whose operations form the subject for this study. In 1948, legislation was passed which empowered the council of a municipality--with the exception of cities--or the Minister of Municipal Affairs in the case of an improvement district, to appeal a school board requisition to a commissioner appointed

¹⁷ Statutes of Alberta, 1946, c. 46, s. 23.

by the Minister of Municipal Affairs.¹⁸ The commissioner was empowered to approve the requisition as submitted or to order it reduced and his decision was final. The requisition had to exceed by more than twenty per cent the requisition of the previous year in order that the appeal be proper. The commissioner that was appointed under this act and who served in this capacity for three years was at that time the Deputy Minister of Municipal Affairs. The 1948 legislation was significant for it provided for the first time in Alberta some control by the municipal governments over the fiscal activities of school boards. Since 1948, this legislation has been amended several times. These changes are dealt with in detail in Chapter IV.

THE COUNTY ACT, 1950

Besides making provisions for school boards and municipal councils to send non-voting representatives to one another's meetings, and for municipalities to appeal school board requisitions, the provincial government took a further step to resolve the conflict between municipal and school governments and to solve some of the problems of a dual system of local government. In 1950, The County Act was passed.¹⁹ It made possible the formation of an integrated, omnibus form of local government upon the request of either a major municipal or school body in a rural area. Counties formed in the early 1950's consisted of a rural district whose

¹⁸Statutes of Alberta, 1948, c. 55, s. 36. The text of this legislation is found in Chapter IV of this thesis.

¹⁹Statutes of Alberta, 1950, c. 15.

boundaries for school and municipal purposes were coterminus. The governing body consisted of not more than eleven councillors who were elected by the electors of sub-divisions or wards. The councillors possessed all the powers of the original school and municipal officials. Education was administered by a school committee whose membership could not exceed seven. The majority of the members on this committee had to be county councillors while the remainder consisted of representatives elected by towns or villages who, because of the fact that they were independent self-governing municipal units but who were part of the county for educational purposes, could not have representatives elected to the county council. The school committee assumed the responsibilities of the former school board, but it was not empowered to borrow money or to pass by-laws. The school budget drawn up by the school committee was subject to the approval of the county council which drew up a consolidated budget for the whole county and exercised complete authority over all expenditures.

Although the county system was adopted on an experimental basis and although it met with much criticism in the initial stages, the idea of integrated local administration gained popular acceptance.²⁰ This is evidenced by the fact that the number of counties in existence in Alberta as of 1962 was twenty as compared to twenty-eight rural municipalities.²¹ Furthermore, an act permitting the extension of the county form of

²⁰Department of Municipal Affairs, Government of Alberta, After Ten Years--The Alberta County System (Edmonton: The Queen's Printer, 1961), p. 2 et passim.

²¹Information supplied by the Department of Municipal Affairs, Government of Alberta.

government to towns and cities was passed in 1962.²²

THE FOUNDATION PROGRAM PLAN, 1961

A new system of financing educational costs was adopted by the Alberta legislature in 1961.²³ It was an outgrowth of conditions that have already been discussed in this chapter and a further attempt at solving problems of financing and administering local government in the province. The basic principles of the program were summarized in the following statement published by the Department of Municipal Affairs:

Under it all municipalities will contribute a maximum of 32 mills on equalized assessment towards the cost of Alberta's educational system with the Provincial Treasury paying the balance up to a standard of approved services called a "foundation" program. Local authorities wishing to go beyond the foundation program may do so at the expense of the ratepayers concerned.²⁴

The foundation program funds appropriated under the plan were disbursed by the provincial government to school boards and school committees in accordance with a formula which was calculated in such a way as to pay for all or nearly all of the annual expenditures required to implement a foundation program of education. In the event that the payments did not meet in full the costs of an educational program undertaken by a local school authority, two courses of action could be followed. If

²²Fourth Session of the Fourteenth Legislature, Bill 26--An Act to Amend the County Act, February, 1962.

²³The information on the Alberta foundation program was obtained from the following: Department of Municipal Affairs, Government of Alberta, The Alberta Municipal Counsellor, VI:3 (March, 1961), pp. 1 ff.; W. T. McCordic, Financing Education in Canada, Canadian Conference on Education (Ottawa: Mutual Press Ltd., 1961), pp. 34-35.

²⁴Department of Municipal Affairs, op. cit., p. 1

the merits of the case warranted it, the school board could obtain a contingency grant from the province for all or part of the difference. Secondly, school officials could submit a requisition for the difference to the municipal authorities. The municipal government had the authority to approve the extra levy and to provide the needed funds or to appeal the requisition to the Local Authorities Board which had been formed under the foundation plan legislation and which had the power to approve, reduce or disallow the requisition. In counties, of course, recourse to the Local Authorities Board was not necessary since the council had the final authority for the school budget; however, town, village, or other local government bodies within the county could appeal any additional requisition levied upon them by the county.

SUMMARY AND CONCLUSIONS

The review of selected fiscal and administrative developments in Alberta education has revealed a state of continual change. A variety of practices have been put into effect with respect to dividing responsibility for local educational services among the provincial government, the municipal government, and the school boards. These practices have ranged all the way from granting school boards complete independence to making them completely dependent. First developments resulted in small but administratively autonomous school districts. Subsequent developments made municipal governments the tax collecting agencies for the schools. As school and municipal districts enlarged, the municipal authorities won the right to appeal against school board budget estimates and requisitions, and school boards lost some freedom in that they could become dependent upon an outside

agency for the approval of their budgets. In regions where county systems became established, independent school boards ceased to exist. The foundation program plan further curtailed the fiscal independence of school boards by defining limits of approved costs. In general, the trend of events has indicated a growing degree of fiscal dependence for Alberta school boards.

The review has also illustrated the pressure of events which led up to the establishment of requisition appeal boards. Rising school costs and friction between school and municipal governments were the two primary factors that finally resulted in the legislation of 1948 which set up an appeal commission. It was hoped that this commission would serve two purposes: (1) ameliorate the difference between school boards and municipal councils, and (2) prevent extravagant spending on the part of school boards. This study will help to show the extent to which these purposes have been realized.

Furthermore, this review has shown that the establishment of an appeal commission was but one part of the whole structure which has been built into Alberta local government. The structure from time to time has taken on a different appearance as modifications were made to improve ways of dealing with old problems and as new concepts were implemented to meet changing conditions. This study will make possible a more intelligent understanding of the part played by appeal commissions in local government in Alberta.

CHAPTER III

FISCAL CONTROLS AND FISCAL INDEPENDENCE

The conclusion was reached in Chapter II that the trend in Alberta has been in the direction of fiscal and administrative dependence for school boards. As can be expected, this trend is viewed with apprehension by some, but on the other hand, is welcomed by others. This chapter proposes to give the reader sufficient background to assess the trend in Alberta towards fiscal dependence of school boards by (1) examining the latest revised statutes of Canadian provinces in order to determine the types of fiscal controls exercised over school boards in Canada, (2) reviewing the literature to determine the kinds of controls exercised over school boards in the United States, and (3) summarizing from the literature the arguments for and against the fiscal independence of school boards.

FISCAL CONTROLS IN CANADA

The latest revised statutes of the Canadian provinces were examined in order to ascertain what practices exist for the collection of local school taxes. The specific interest of this examination was to determine whether or not fiscal controls were imposed upon the requisitioning or tax-collecting functions of the school boards. Consideration of Newfoundland was omitted from this chapter because there is as yet no legal provision for the collection of local school taxes in this province; all necessary moneys are provided to the local districts by the central

government upon the recommendation of the appropriate superintendent.¹

British Columbia, Alberta, Saskatchewan

These three provinces are considered as one group since the legislation was found to be quite similar. In all three provinces school boards are elected and exist independently of municipal councils. In each province the school boards prepare their budget estimates and requisition municipal governments for funds. If issue is taken with the estimates, the municipal authorities have the privilege of appealing to an outside agency.

In British Columbia, if the budget is not accepted by the municipality, it is submitted to a board of three arbitrators. The school board appoints one arbitrator; the party or parties demanding arbitration choose one arbitrator; and the two arbitrators appointed choose a third. The board of arbitrators, after holding hearings on the matters in issue with respect to the disputed budget, make an award which is final and binding on all parties.²

The procedure in Saskatchewan is similar to that found in British Columbia. Disputes are referred to the Saskatchewan Assessment Commission which holds hearings and whose decisions are final for the current year.³

The practice in Alberta is considered in detail in Chapter IV and

¹Dominion Bureau of Statistics, The Organization and Administration of Public Schools in Canada (second edition; Ottawa: The Queen's Printer, 1960), p. 220.

²British Columbia, Public Schools Act, R. S. B. C. 1960, c. 319, ss. 195-197.

³Saskatchewan, The Larger School Units Act, R. S. S. 1953, c. 170, s. 69.

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Manitoba, Ontario

In Manitoba all school boards are elected. In Ontario members of public and separate school boards are elected, but members of high school boards are appointed by the municipal councils. In both provinces the school boards submit their requisitions to municipal councils who are charged with the responsibility of levying and collecting school taxes. No provisions are made in the acts of either province for municipalities to exercise discretion over school requisitions.⁴

Quebec

In Quebec school boards are responsible for collecting their own taxes. However, if the school board of a school municipality so requires, the local council of any city, town, village, or rural municipality is obliged to collect the taxes of such a school municipality at the same time as its own. In either case, school boards are fiscally independent of municipal councils.⁵

New Brunswick

In cities and in incorporated towns some of the school board members are appointed by the Lieutenant-Governor in Council and some by the city or town council. These urban and town school boards are independent of

⁴Manitoba, The Public Schools Act, R. S. M. 1954, c. 215, ss. 39-40; Ontario, The Public Schools Act, R. S. O. 1960, c. 343, s. 69; The Secondary Schools and Boards of Education Act, R. S. O. 1960, c. 362, s. 34.

⁵Quebec, Education Act, R. S. Q. 1941 (with amendments to 1960), c. 59, s. 253 and s. 398.

municipal councils, but for ordinary operating expenses, their budgets cannot exceed maximum limits as stated in the Schools Act. Otherwise they requisition city and town councils in the usual manner.⁶

The fiscal status of school boards in rural areas is governed by the provisions of the County Schools Finance Act. Under this act a majority of rural school districts in a municipality can petition the county council of a municipality to establish a County School Finance Board. The Finance Boards consist of seven members, of whom three are appointed by the Lieutenant-Governor in Council and four by the county council. The County Finance Boards coordinate and revise the estimates of the schools under their jurisdiction and control the budgetting of school funds. They requisition the county for school funds and the county in turn is responsible for the assessment, the levying and the collection of the school rates. The Finance Board is independent of the county council.⁷

Nova Scotia

Nova Scotia operates under a foundation program plan. The Governor in Council by regulation prescribes the minimum program of education to be provided and administered by the school boards.⁸ The municipal councils are charged with the responsibility of providing the local share of the funds required to put this basic program of education into effect.⁹

⁶New Brunswick, Schools Act, R. S. N. B. 1952, c. 204, s. 96 and s. 99.

⁷New Brunswick, The County Schools Finance Act, R. S. N. B. 1952, c. 47, ss. 3-9.

⁸Nova Scotia, Education Act, R. S. N. S. 1954, c. 78, s. 64.

⁹Ibid., s. 84.

Various arrangements exist for providing funds in excess of the foundation program allotments. For example, in rural and village districts an extra levy may be approved at a properly constituted meeting of the resident ratepayers. Any amount so determined is charged to the ratepayers of that district only.¹⁰ In urban and town school sections, raising of these moneys is subject to the provisions of the Charters of the respective cities and the Towns Incorporation Act.¹¹

Prince Edward Island

With respect to school districts, budgets are approved at annual meetings of the ratepayers and the boards of trustees, who are elected, are responsible for making up the tax roll and for collecting the school taxes.¹² For large rural school districts and for regional high school districts, trustees prepare the estimates and have them approved by the Minister. As with the district boards, the taxes are collected by school officials.¹³

The school boards of Summerside and Charlottetown are appointed. They requisition the municipal councils for school funds. In both the case of Summerside and Charlottetown the province has set maximum limits on school budgets.¹⁴

¹⁰Ibid., ss. 66, 67.

¹¹Ibid., s. 88.

¹²Prince Edward Island, The School Act, R. S. P. E. I. 1951, c. 145, s. 29, s. 62 and s. 85.

¹³Ibid., s. 123 and s. 137.

¹⁴Ibid., ss. 106-107.

FISCAL CONTROLS IN THE UNITED STATES

A review of the literature on legal provisions which govern the fiscal operations of school boards in the United States reveals that there are many different regulations in effect. In the same way that fiscal regulations were found to differ from province to province in Canada, so in the United States they were found to vary from state to state. Holmstead has made an analysis and summary of state systems of control in school finance in the United States. His findings show the following types of controls to be common:

1. Designation of the purposes for which school taxes may be levied and for which school funds may be spent.
2. Limitations on local tax levies.
3. Requirements that school officials must submit budgets and/or tax levies to some state or other local governmental agency for review and approval.
4. Requirements that local units meet prescribed educational standards determining to a large extent the cost of education.
5. Regulation and limitation of the use of credit.
6. Prescription of procedure in budgeting, accounting, auditing, reporting, and protection of funds from loss.
7. Regulation and supervision of property assessment.
8. Review and approval of capital expenditures including the approval of building plans and specifications.
9. Regulation of expenditure of grants-in-aid.

The above controls may be expressed in the form of constitutional provisions and statutory regulations or they may be exercised by administrative agencies by delegated discretionary authority.¹⁵

¹⁵R. W. Holmstead, "Fiscal Controls," Problems and Issues in Public School Finance, eds. R. L. Johns and E. L. Morphet (New York: The National Conference of Professors of Educational Administration, 1952), p. 278.

In comparing the types of fiscal controls which Holmstead lists with the type of controls which are found in Canadian provinces, it is interesting to note some of the similarities. Certain states in the United States have legislative limits on local tax levies. In Canada the urban areas of both New Brunswick and Prince Edward Island are subject to legal tax limits on school board budgets. Furthermore, some school boards in the United States are required to submit their budgets to state or other local governmental agencies for review and approval. This type of control is very similar to the control exercised by the County Finance Board in New Brunswick. The requisition appeal boards found in British Columbia, Alberta, and Saskatchewan may also be included in this category for they consist of an outside agency to whom a school budget may be referred. At least one more comparison is possible. Holmstead states that some American school boards are required to meet prescribed educational standards and that this determines to a large degree the cost of education. The foundation programs of education in Nova Scotia and in Alberta are Canadian examples of this type of regulation over school finance.

THE CASE FOR FISCAL INDEPENDENCE

Discussions in the literature of school-municipal relations generally center around the issues of fiscal dependence or independence of school boards, the thesis being that administrative independence and fiscal independence are synonymous or at least inseparable. This identification of administrative controls with fiscal controls is made manifest by statements such as these:

When the budget is determined by a general fiscal authority, the policies which prevail in that school system are also determined by this body.¹⁶

Fiscal control often leads to de facto control of educational policies.¹⁷

Control of finances carries with it, directly or indirectly, control over the scope and the quality of the educational program.¹⁸

Budgeting is the device used to translate an educational plan into a financial plan.¹⁹

The prevailing point of view is, therefore, that the freedom of school boards to determine policy is measured directly by the degree of fiscal independence that the school board possesses. The literature written by educators contains a prolific and repetitive array of arguments in support of fiscally and administratively independent school boards. The principle that is generally accepted as the strongest argument for fiscal autonomy is that authority must accompany responsibility. If school boards are given the responsibility for providing educational services, then they should also be given the authority to secure adequate funds to implement

¹⁶National Education Association and the American Association of School Administrators, Educational Policies Commission, The Structure and Administration of Education in American Democracy (Washington, D. C.: The Commission, 1938), p. 52.

¹⁷National Education Association, "Fiscal Authority of City Schoolboards," Research Bulletin, XXVIII:2(April, 1950), p. 76.

¹⁸Holmstead, op. cit., p. 276.

¹⁹G. D. Spry, "Administering the School Budget," School Budgeting (Edmonton: The Division of Educational Administration, University of Alberta, 1962), p. 42.

educational programs and to exercise their discretion in expending these funds.²⁰ School boards should not have to waste their time or their energy presenting and justifying their budgets and their programs to municipal governments or to controlling agencies who may not be able to judge with any more certainty than the school boards themselves what is required in educational services and what funds would be necessary to provide these services.

Other arguments for the fiscal independence of school boards center around the issue that a school board should be an independent body and not a part of an integrated form of municipal government such as the Alberta county. At least two reasons are given for this stand. Firstly, education is held to be so important, complex, and extensive a service that it requires a separate, ad hoc government which can devote its entire attention to the task of operating the schools.²¹ Secondly, municipal problems and functions are not closely related to school problems and functions, and because of this, the integration of school and municipal governments into one government has not proven very effective in actual practice.²²

There is some research evidence to support the contention that school boards should enjoy fiscal independence. Mort and Reusser summarize the studies of McGaughy and Woodward to support the claim that greater spending efficiency results if school boards are fiscally independent.²³ The

²¹E. C. Bolmeier, "Legal, Illegal, and Extra-Legal Degrees of Fiscal Independence," American School Board Journal, CXIX (August, 1949), p. 68; C. E. Reeves, op. cit., p. 52; NEA, Loc. cit.

²²NEA and the AASA, op. cit., p. 53.

²³P. R. Mort and W. C. Reusser, Public School Finance, (second edition; New York: McGraw Hill Book Co., Inc., 1951), pp. 57-60.

McGaughy study showed that fiscally dependent city school boards in the United States had a significantly higher average than fiscally independent city school boards for the following factors: (1) percentage of real valuation at which taxable property is assessed; (2) municipal bonded indebtedness outstanding per capita; (3) cost of instructional services per pupil. According to an efficiency index which he developed, Frasier found a correlation of -0.27 between dependence and school efficiency; that is, the more dependent the school board, the less it was financially efficient. Woodward's study was similar to McGaughy's and corroborated his findings.

Mort and Reusser make this conclusion about the research evidence available:

In brief, fiscally independent boards of education do not spend more but they spend more efficiently. They do not spend more efficiently all the time or on every phase of the program, but on the whole, and generally, they spend more effectively.²⁴

THE CASE AGAINST FISCAL INDEPENDENCE

The proponents of fiscal dependence for school boards support the policy that school services should be integrated along with other local services and placed under one local government, or that independent school boards should be subject to some fiscal controls exercised either by municipal councils or by some other agency. They argue that if each local function is best performed by an autonomous governmental unit then all local functions--public works, police, fire protection, health, and so on, should be performed by separate autonomous bodies. Obviously this proposition has

²⁴Ibid., p. 60.

to be rejected because it would not prove feasible to organize local governments along these lines.²⁵ As it is, multiple local governments complicate administration and confuse the electors.²⁶

Unlike the claims made by many educators that integrated local government is impractical, the proponents of this type of government hold the opposite point of view. For example, Fisher and Bishop state:

There are many arguments for integrating the schools with other local governmental activities. The health program of the city or county can be used in the schools. The centralized purchasing agency can be used by the schools, thus saving money. . . . Taxes can be collected and school bonds handled by local finance officials. A single system of accounts and records is possible. The city engineering department can be used for buildings and repairs. Free water, light, or gas is sometimes made available to the schools. The legal counsel of the city or other local government is also available to the schools.²⁷

Fisher and Bishop conclude that an integrated local government should prove to be more efficient in spending and in administration. Two or more local governments serving the same area and performing different functions would cost more than a single government performing the same functions.

Another claim which is discounted by supporters of integrated local government is that educational services would deteriorate if they came under the control of municipal councils. According to Moffat, experience has shown that municipal councils can be as responsible for educational services as school boards.²⁸ Also, Hanson, in commenting on the Alberta county

²⁵M. J. Fisher and D. G. Bishop, Municipal and Other Local Governments (New York: Prentice-Hall Inc., 1950), pp. 509-510.

²⁶D. C. Rowat, Your Local Government (Toronto: The Macmillan Co. of Canada Ltd., 1955), p. 25.

²⁷Fisher and Bishop, loc. cit.

²⁸H. P. Moffat, Educational Finance in Canada (Toronto: W. J. Gage and Co., 1957), pp. 83-84.

system, states:

Fears of school authorities that county councils would skimp on education have proved groundless. If anything, school officials feel that they have done better under the county system than they would have done otherwise.²⁹

Where both school boards and municipal councils operate within the same area and depend upon the same local districts and the same local resources for tax funds, a competition between the two local governments for the revenue may occur. And if school boards are in a position to make mandatory requisitions for funds upon the municipal councils, then it is conceivable that school boards could exhaust all the revenues available for community services, especially if the local resources are limited. Those who believe in fiscal dependence for school boards maintain that the above is an undesirable state of affairs and use this as another argument to support their case.³⁰

The arguments that have just been reviewed are the main ones that are used in building a case against fiscal independence for school boards. The main thesis is that divided authority for local services cannot work effectively because of the difficulty of delineating responsibility and of dividing the financial resources in such a way that each authority can carry out its responsibilities. The conclusion drawn from this thesis is that unit governments with responsibility for all local services would result in

²⁹E. J. Hanson, Local Government in Alberta (Toronto: McClelland and Stewart, Ltd., 1956), p. 68.

³⁰A. Stewart, "Financing Education: An Economist's View With Some Personal Bias," Leadership in Action, eds. G. E. Flower and F. K. Stewart (Toronto: W. J. Gage & Co., 1958), pp. 177-178; E. B. Rideout, "Municipal Participation in Education," Canadian Education, IX:3 (June, 1954), p. 17.

an elimination of most of the intergovernmental problems which occur among multiple local governments.

SUMMARY AND CONCLUSIONS

In this chapter the literature and provincial statutes were reviewed to give the reader some insight into the types of controls and regulations which govern certain fiscal and administrative activities of school boards in Canada and the United States. The review also dealt with a summary of the themes around which arguments both for and against fiscal independence for school boards were centered.

Many different methods of effecting fiscal controls over school boards were found in Canada and in the United States and many of these were common to both countries. Integrated local government, finance control boards, requisition appeal boards, budget approval agencies, legal tax limits, and prescribed minimum programs of education were some of the means of control by which school finance could be regulated.

A formidable array of arguments for and against fiscally independent school boards was found in the literature. Traditionally educationists argued in favor of, while political scientists argued against independence. Political scientists also took a firm stand in favor of an integrated local government. Arguments both for and against fiscal independence were based mainly on opinion or experience. With the exception of studies reviewed by Mort and Reusser, there was very little research favoring or opposing fiscally independent school boards. Of the evidence that is available from research in the United States Holmstead writes, "The research on fiscal independence versus dependence does not afford conclusive proof to either

set of arguments. Good and poor systems exist under both arrangements.³¹

In the presence of strong cases for both sides of the question, and in the absence of positive research findings, a sound assessment of the trend in Alberta towards an increasing degree of fiscal dependence was very difficult to make. However, a few conclusions were suggested from the material reviewed:

1. The variety of practices found in both Canada and the United States, and the changing measures that have characterized the Alberta picture suggest that the type and degree of fiscal dependence imposed upon school boards are factors that thus far have made very little difference, under the prevailing circumstances, to the quality of education that pupils have been receiving.

2. The effectiveness and the efficiency of educational administration can be good or bad under either dependent or independent school boards.

3. Current trends, particularly in Alberta, suggest a movement away from multiple governments to integrated government for local services.

4. There is a need for more research and more critical analysis of past and present experiences in school administration in order to determine with more certainty whether or not fiscal control, or the lack thereof, has any significant effect upon school boards and upon education.

³¹Holmstead, op. cit., p. 303.

CHAPTER IV

THE NATURE AND RESULTS OF REQUISITION APPEALS

Chapters IV, V, and VI are devoted to the main issues of this study, that is, a description of the actual operations and decisions of appeal commissions in Alberta. In this chapter the following topics are dealt with:

1. The legal conditions under which appeals were made.
2. The extent to which appeals were properly constituted.
3. The procedures followed throughout in the appeal hearings.
4. The frequency of the appeals.
5. The types of school and municipal governments involved in the appeal cases.
6. The results of the appeal hearings.

THE LEGAL TERMS OF REFERENCE

Prior to 1948¹

Assessment of property. It was the duty of any municipality within which was situated any part of a school division or school district to submit to the secretary of the school board by the fifteenth of February the total assessed value of all lands, buildings, improvements, and personal property which was assessable for school purposes so that the school budget could be calculated.

¹Information obtained from The School Act, R. S. A. 1942, c. 175, ss. 289-297 and The School Taxation Act, R. S. A. 1942, c. 176.

Preparation of estimates. On or before the fifteenth day of March the school board was to prepare an estimate of its expenditures for the current year. Provision was also made in the statutes for the inclusion in the budget of an additional amount of money to be set aside as a reserve fund for future capital expenditures; such an additional amount required the approval of the Minister of Education.

Submission of the requisition. As soon as the school board ascertained the revenue required from local sources for its current year of operation, it requisitioned the municipal units for their apportioned share. In the case that school boundaries were encompassed wholly or partly by improvement districts or special areas, then the Minister of Municipal Affairs or the Minister of Lands and Mines, respectively, was to be requisitioned in the same manner as were the municipal units.

Payment of the requisition. Payment of the school requisition by equal quarterly instalments on the fifteenth day of each of the months of March, June, September, and December was mandatory upon the municipal governments or upon the Ministers. No provisions for appeals were contained in the statutes prior to 1948.

Amendments, 1948

In 1948 a new section, 293a, was added to The School Act.² It read:

293a - (1) In any case where the requisition made upon any municipality, other than a city, for any year exceeds the requisition of the preceding year by more than twenty per cent, the council of the municipality may by resolution, or in the case of an improvement district, the Minister of Municipal Affairs may by order, if in

²Statutes of Alberta, 1948, c. 55, s. 36.

the opinion of the council or the Minister of Municipal Affairs, as the case may be, the amount of the requisition is excessive, refer the requisition to a Commissioner to be appointed by the Lieutenant Governor in Council.

(2) The Commissioner shall make an investigation and may hear such representations from the school division and the municipality or municipalities included wholly or in part in the division and may examine such records and documents as he may in his discretion deem proper.

(3) The Commissioner may approve the requisition in which case he shall so notify the school division and the municipality; or he may direct that the requisitions upon the various municipalities included wholly or in part in the division as determined pursuant to subsection (1) of section 293 shall each be reduced by a percentage which he may determine and he shall notify the school division and the municipalities of his decision which shall be binding on the parties affected and there shall be no appeal therefrom.

At the same time The School Taxation Act was amended by the addition of section 28a.³ The provisions of the amendment were exactly the same as those in section 293a of The School Act except that they referred to school bodies other than divisions.

In 1948, therefore, the following conditions had to be met in order for appeals to be properly constituted:

1. The appealing body could not be a city municipality.
2. The requisition being appealed had to exceed by more than twenty per cent the requisition of the previous year. It should be noted that the twenty per cent referred to an increase in the requisition and not in the mill rate. It was quite possible for the mill rate to remain the same, or even to be lowered, and for the amount of the requisition to be raised by twenty per cent if the assessment of the municipality had increased

³Statutes of Alberta, 1948, c. 56, s. 1.

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3. The decision to appeal had to take the form of a resolution or a Ministerial order.

With respect to the powers and duties of the commissioner who was to hear the appeals the following provision were made:

1. The commissioner was charged with the responsibility of investigating the appeal. He could do this either by holding hearings or examining records and documents, or both.

2. The commissioner was empowered to hear representations from other municipalities encompassed by the school district's or division's boundaries even though they had not appealed the requisition.

3. The power of the commissioner was limited only to approving the requisition or to ordering it reduced by a stipulated percentage.

4. The commissioner's decision was final and binding and there was no appeal therefrom.

5. The commissioner had to notify all parties concerned of his decision.

Amendments, 1949

In 1949 section 293a of The School Act was amended by adding immediately after the words "refer the requisition" where they occurred in subsection (1), the words "within thirty days of the date upon which the requisition is received."⁴

The School Taxation Act was similarly amended,⁵ and in addition the

⁴Statutes of Alberta, 1949, c. 91, s. 33.

⁵Statutes of Alberta, 1949, c. 92, s. 2.

words "Minister of Lands and Mines" were struck out where they occurred. This was necessitated because of the fact that in 1949 the special areas, which had been under the jurisdiction of the Department of Lands and Mines, came under the Department of Municipal Affairs.⁶

The only condition added in 1949, therefore, was that appeals had to be made within thirty days of the receipt of the requisition by the municipality.

Legislation, 1950

As stated in Chapter II, The County Act was passed in 1950.⁷

Section 23 of this act read:

Whenever in any Act reference is made to a municipal district, improvement district, special area, school division, municipal hospital district, municipality or local authority, or the board or council of any such district or local authority, in the case of a county it shall be deemed to be a reference to the county or the county council or one of the committees of the county council provided for herein as the case may be.

The provisions of The School Act and The School Taxation Act which regulated requisition appeals were extended by this clause to include counties. This meant, for example, that a town or village municipality was empowered to appeal the school requisition which a county council submitted to it. Similarly a county could appeal a school requisition submitted to it by a school district or division whose boundaries overlapped the county's.

Amendments, 1951

In 1951 the entire section 293a was struck out of The School Act and

⁶Statutes of Alberta, 1949, c. 95.

⁷Statutes of Alberta, 1950, c. 15.

the following new section substituted:⁸

293a (1) The council of a municipality, or the Minister of Municipal Affairs in the case of an improvement district or special area, within thirty days of the receipt of the requisition upon it by a division, may apply to the Board of Public Utility Commissioners for an examination of the estimates of the division for the current year.

(2) The division, forthwith upon request, shall supply to a municipality to which it submits a requisition a copy of its estimates.

(3) No application may be made by a council or by the Minister--

(a) unless the requisition received by the municipality exceeds twenty per cent of the total sum requisitioned by the division upon all the municipalities to which requisitions are submitted; or

(b) unless the amount of the requisition exceeds fifty per cent of the total amount of the requisition upon the municipality by all districts or divisions from which requisition are received.

(4) The application shall be accompanied by a statement setting forth the respects in which, in the opinion of the municipality, the estimates of the division are excessive.

(5) The Board of Public Utility Commissioners, after due investigation, and the hearing of representations from the division and from the municipality, and from other municipalities, included wholly or in part in the division if they desire to make representation, may,--

(a) approve the estimates and requisition; or

(b) direct that the requisition upon the various municipalities shall be reduced by a percentage which it shall determine, and that the estimates be revised accordingly.

(6) The Board of Public Utility Commissioners may require to be produced and may examine such records and documents as it may deem pertinent to the examination.

(7) The Board of Public Utility Commissioners shall notify the division and the municipalities of its decision which shall be

⁸Statutes of Alberta, 1951, c. 78, s. 5.

binding on all parties affected and there shall be no appeal therefrom.

A parallel amendment to section 28a of The School Taxation Act made the above legislation applicable not only to school divisions, but to all school districts.⁹

Several important changes and additions resulted from the amendments of 1951.

1. The condition that a requisition had to exceed by twenty per cent the requisition of the previous year was rescinded. Instead any requisition, whether it exceeded the previous year's requisition or not, could be appealed if (a) it constituted more than twenty per cent of a school board's total requisition upon all municipalities, or (b) it constituted more than fifty per cent of the total of all school requisitions paid by the municipality.

The above conditions made it possible for municipalities to appeal almost any requisition, even one that was lower than the previous year's. The explanation for clauses 3(a) and 3(b) lay in the fact that a school division's boundaries might encompass several villages, a town, all of a rural municipality, and parts of other rural municipalities or improvement districts. Thus it was not unusual for such a school division to submit requisitions to four or five municipal governments at once. Any one of these collecting authorities could apply for an examination of the estimates and requisitions of the division, providing conditions 3(a) or 3(b) were fulfilled.

⁹Statutes of Alberta, 1951, c. 80, s. 3.

2. City municipal governments were given the right to appeal.
3. The Board of Public Utility Commissioners replaced the former commissioner appointed by the Lieutenant Governor in Council.
4. The holding of a hearing was no longer permissive but obligatory upon the commission.

Legislation, 1952

In 1952 The School Act and The School Taxation Act were repealed in their entirety. The School Act was re-enacted and the legislation formerly contained in The School Taxation Act was incorporated into The School Act.¹⁰ The terms of reference for municipal units appealing school board requisition which were formerly contained in the two repealed acts were consolidated in section 303 of the re-enacted School Act. Other than this consolidation and some rewriting of the former clauses, section 303 contained essentially the same provisions. Section 303 of the new School Act appears in Appendix B.

Amendments After 1952

Other than the fact that section 303 was renumbered 304 in 1955, the terms of reference remained unchanged up to and including the year 1960.

PROPER CONSTITUTION OF APPEALS

As far as could be ascertained from the evidence available, all appeals that were heard during the years 1948 to 1960 were constituted and

¹⁰Statutes of Alberta, 1952, c. 80.

conducted according to the terms of reference in the acts just reviewed. The following evidence is given in support of this conclusion:

1. A statement to the effect that the appeal was "properly constituted" was found in the body of the majority of the reports.
2. No appeals from city municipalities were heard during the years 1948, 1949, and 1950.
3. In the years 1948, 1949, and 1950, investigation of appeals by means of hearings was permissive; after 1950 hearings were obligatory. All cases which were found had been investigated by the holding of hearings at which representations from the school board and from the municipality or municipalities were heard.
4. During the years 1948 to 1950, inclusive, appeals had to be submitted in the form of a municipal council resolution or Ministerial order. It appears that during this time this condition was strictly adhered to and that a certified copy of a council resolution had to be forwarded to the commissioner in order for the appeal to be considered. The following is an extract from a letter dated March, 1949, from the commissioner to the secretary of a village council:

I am in receipt of your letter of March 22 concerning the requisition of _____ School District No. _____.

Please forward a certified copy of the resolution of the Council as it appears on the Minute Book authorizing that the appeal be made, together with the requisition for 1948 and 1949.

Three such requests for resolutions were found in the records.
5. Strict attention was paid to the condition legislated in 1949 that requests for hearings had to be made within thirty days of the receipt of the requisition. Records were found of two applications that

were turned down because they were not made within the specified time limit. The following is an extract from a letter dated June 10, 1949, in connection with one of these:

At the last session of the Legislature, section 293(a) of the School Act was amended to provide that the requisition must be referred to the Commissioner within thirty days of the date upon which the requisition was received. If you are within the thirty days, kindly forward a certified copy of the resolution to have the requisition referred to the Commissioner. If the thirty days has expired, the Commissioner has no jurisdiction.

6. The records available for the years 1948, 1949, and 1950 showed that in all cases the requisitions appealed had exceeded the previous year's requisition by more than twenty per cent. Table I shows the percentage increase of the appealed requisitions for these years.¹¹ In each case the increase of the appealed requisition was more than twenty per cent of the previous year's requisition.

7. In 1951, the twenty per cent clause was rescinded. In order for a requisition to be eligible for appeal it had to be (a) in excess of twenty per cent of the total sum requisitioned by the school district or school division upon all municipalities to which requisitions were submitted, or (b) in excess of fifty per cent of the total school requisitions paid by the municipality. Table II shows that in all cases, either condition (a) or (b) were fulfilled and hence the appeals were in order in this respect.

¹¹In Table I, page 50; Table II, page 52; Table III, page 56; a system of coding was used to identify each individual appeal case. This appears as a case number in column I of all the tables mentioned. The first four digits of the case number refer to the year in which the appeal was made; the digits after the dash indicate the number of the case. Thus the case number 1948-5 means the fifth appeal case in the year 1948.

TABLE I
PERCENTAGE INCREASE OF APPEALED
REQUISITIONS 1948-1950

Case number (1)	Appealed requisition (2)	Previous year's requisition (3)	Difference (4)	Percentage increase (5)
1950-1	\$ 7,040	\$ 5,717	\$ 1,323	23
1949-1	8,823	4,579	4,344	95
1949-2	10,846	8,635	2,211	26
1949-3	unknown;	no records found		
1949-4	unknown;	no records found		
1949-5	unknown;	no records found		
1948-1	47,881	35,774	12,107	34
1948-2	4,661	3,862	799	21
1948-3	25,185	17,632	7,554	43
1948-4	13,226	10,753	2,473	23
1948-5	11,627	6,876	4,751	69
1948-6	143,021	112,740	30,281	27
1948-7	109,280	69,290	39,990	58
1948-8	19,142	15,693	3,449	22
1948-9	10,334	7,616	2,718	36
1948-10	4,013	1,601	2,412	151
1948-11	7,488	4,883	2,605	53
1948-12	4,087	3,374	713	21
1948-13	3,690	2,143	1,547	72
1948-14) to) 1948-23)	unknown;	no records found		

Column (2): data from commission records

Column (3): data from financial statements

In view of the evidence uncovered in reference to Problem 2 of this study (the extent to which the appeals were properly constituted) the conclusion was made that all appeals were legally and properly constituted. No evidence to the contrary was found.

APPEAL HEARING PROCEDURES¹²

Application for Appeal and Giving of Notice

Applications for appeals prior to 1951 were submitted to the commissioner together with a certified copy of a resolution authorizing the appeal. After 1950 requests for hearings had to be accompanied by a statement of reasons. Applications for appeal against the same requisition could be submitted by two or more municipalities at the same time; five such cases were found in the records.

After the application had been received by the appeal board, a date and place for the hearing was set and all parties notified. The statutes empowered the appeal board to hear representations from all municipal authorities to whom the defendant school board had submitted requisitions. In all these cases these municipal authorities were notified. The Department of Education and the Department of Municipal Affairs were also informed.

Place of Hearings

Hearings were held within a city, town, or village within which the office of either the school board or municipality, or both, was situated.

¹²Information relative to this problem was obtained partly from records and mostly from interviews with persons who had served on appeal commissions.

TABLE II

APPEALED REQUISITION AS PERCENTAGE OF TOTAL
REQUISITIONS ON ALL COLLECTING AUTHORITIES
FOR THE YEARS 1951-1960

Case number (1)	Appealed requisition (2)	Total requisition on all collecting authorities (3)	Percentage of (2)/(3) (4)
1960-1	\$493,529	\$803,441	61
1960-2	282,547	350,816	81
1960-3	958,859	963,000	99
1959-1	108,895	118,639	92
1958-1	23,927	59,542	40
1958-2	279,081	441,224	63
1958-3	17,595	17,595	100
1954-1	76,111	206,266	37
1954-2	69,356	524,271	13 ^a
1954-3	21,578	48,835	44
1953-1	131,142	265,638	49
1952-1	18,037	36,467	49
1952-2	38,089	143,376	27
1952-3	183,915	369,728	50
1951-1	46,500	52,666	88
1951-2	12,960	24,930	52
1951-3	10,454	184,369	6 ^a
1951-4	11,733	28,480	41

^aAlthough less than 20%, both of these requisitions represented 100% of the total school requisitions paid by the collecting authority and hence could be appealed.

Columns (2) and (3): data from financial statements and from commission records.

1. Introduction

The purpose of this study is to investigate the effect of the independent variable on the dependent variable. The study is designed to provide a comprehensive overview of the relationship between the two variables.

Independent Variable	Dependent Variable	Control Variable	Significance Level
1.1.1.1	1.1.1.1.1	1.1.1.1.1.1	1.1.1.1.1.1.1
1.1.1.2	1.1.1.2.1	1.1.1.2.1.1	1.1.1.2.1.1.1
1.1.1.3	1.1.1.3.1	1.1.1.3.1.1	1.1.1.3.1.1.1
1.1.1.4	1.1.1.4.1	1.1.1.4.1.1	1.1.1.4.1.1.1
1.1.1.5	1.1.1.5.1	1.1.1.5.1.1	1.1.1.5.1.1.1
1.1.2.1	1.1.2.1.1	1.1.2.1.1.1	1.1.2.1.1.1.1
1.1.2.2	1.1.2.2.1	1.1.2.2.1.1	1.1.2.2.1.1.1
1.1.2.3	1.1.2.3.1	1.1.2.3.1.1	1.1.2.3.1.1.1
1.1.2.4	1.1.2.4.1	1.1.2.4.1.1	1.1.2.4.1.1.1
1.1.2.5	1.1.2.5.1	1.1.2.5.1.1	1.1.2.5.1.1.1
1.1.3.1	1.1.3.1.1	1.1.3.1.1.1	1.1.3.1.1.1.1
1.1.3.2	1.1.3.2.1	1.1.3.2.1.1	1.1.3.2.1.1.1
1.1.3.3	1.1.3.3.1	1.1.3.3.1.1	1.1.3.3.1.1.1
1.1.3.4	1.1.3.4.1	1.1.3.4.1.1	1.1.3.4.1.1.1
1.1.3.5	1.1.3.5.1	1.1.3.5.1.1	1.1.3.5.1.1.1
1.1.4.1	1.1.4.1.1	1.1.4.1.1.1	1.1.4.1.1.1.1
1.1.4.2	1.1.4.2.1	1.1.4.2.1.1	1.1.4.2.1.1.1
1.1.4.3	1.1.4.3.1	1.1.4.3.1.1	1.1.4.3.1.1.1
1.1.4.4	1.1.4.4.1	1.1.4.4.1.1	1.1.4.4.1.1.1
1.1.4.5	1.1.4.5.1	1.1.4.5.1.1	1.1.4.5.1.1.1

The results of the study indicate that the independent variable has a significant effect on the dependent variable. The study is designed to provide a comprehensive overview of the relationship between the two variables.

The study is designed to provide a comprehensive overview of the relationship between the two variables. The study is designed to provide a comprehensive overview of the relationship between the two variables.

Failing this, it was held at some center conveniently located for all parties concerned.

Attendants

School officials. The secretary-treasurer of the school board, and some or all members of the board usually represented the school unit at the hearings. Records were found that indicated that superintendents were present at sixteen hearings, and an official trustee at one.

Municipal officials. As with the school board, the secretary-treasurer and some or all councillors were the chief attendants at the hearings. These officials came not only from the municipal body launching the appeal, but from other municipalities to whom the school board had submitted requisitions.

Commission officials. Prior to 1951 the commissioner attended all hearings. After 1950, when the Board of Public Utility Commissioners constituted the appeal board, one, two, or all members of this three-member board conducted the hearings. The appeal boards were accompanied by staff personnel such as secretaries and, quite frequently, by accountants.

Other attendants. In many cases the Department of Education was represented at the hearings. In nine instances evidence was found in the records that such a representation was made and this usually from the Administration Branch of the Department. In all probability the frequency of attendance was much greater than this. The Department of Municipal Affairs was also frequently represented at the hearings due to the fact that many of the taxpayers were resident in improvement districts. Records

were found of six such instances, but again it was assumed that these were just a few of the actual cases where representation was made. In one case, 1960-1, an official of an industrial firm submitted a brief to the commission and in another instance, over one hundred citizens of a community were in attendance. Legal counsel was used only infrequently by the disputing parties in making their representations at the hearings. Evidence was found of only two cases where solicitors were present.

Hearings

The hearings were conducted by receiving submissions from those in attendance, and by examining financial statements, assessment figures, budgets and other documents. Representations were not made under oath, although this could have been done if the appeal board so desired. A member of the commission always acted as chairman of proceedings. Shortly after the hearings were held, the commission's decision, which took the form exemplified in Appendix A, was mailed to all parties concerned.

Appeal of Decisions

The statutes provided that decisions were final and binding on all parties and therefore no appeal against a decision was possible. An attempt was made, however, by a school board to appeal the decision handed down in case number 1948-6. In this instance the requisition of a school division had been reduced by eight per cent. It had been appealed by two municipal districts on the grounds that it was in excess of twenty per cent of the previous year's requisition. However, shortly after the time that the hearing was conducted, the assessment of one of the municipal districts was disputed in court with the result that it was reduced to the extent

that the school division requisition was no longer in excess of twenty per cent of the previous year's. It was upon this basis that the school division appealed the commissioner's decision. The appeal, of course, was rejected because it was outside the jurisdiction of the commissioner. Furthermore, there had been two municipalities which had appealed the requisition and the requisition of the second municipality had been twenty per cent in excess.

REQUISITION APPEALS FOR THE YEARS 1948-1960

In this section Problems 4, 5, and 6 as listed on page 2 are considered. They deal with the frequency of the appeals, the types of school and municipal governments involved in the cases, and the results of the appeals. Table III contains the findings relative to these problems.

Frequency of Appeals

Table III shows that during the period 1948 to 1960 a total of forty-seven appeals were heard. This total, however, does not represent all the appeals attempted during this period. During the search of the records, five references were found to appeals which were rejected because they were improperly constituted or to appeals that were scheduled but not heard because the disputing parties had reached an agreement on their own before the hearings could be held. How many more cases of this type occurred can only be conjectured, but it is quite possible that there were more.

Table III also shows that complete records of three cases in 1949 and ten cases in 1948 were not uncovered. However, it was ascertained from the research that these cases were heard and what the results

TABLE III

REQUISITION APPEALS IN ALBERTA FOR THE YEARS 1948-1960

Year	Case Number	Type of municipal body appealing							Type of school body requisitioning							Results of appeal				
		City	Town	Village	Municipal District	County	Improvement District	Special Area	Division	County	City S. D.	Town S. D.	Village S. D.	Consolidated S. D.	Rural S. D.	Requisition approved	Requisition reduced	Original total of reduced requisition (In dollars)	Total amount of reduction (In dollars)	Reduction in per cent
1960	1960-1		1						1							1				
	1960-2	1								1						1				
	1960-3		1									1					1	\$ 963,000	\$ 40,000	4.154
1959	1959-1							1	1								1	118,639	17,112	14.424
1958	1958-1		1		1								1				1	59,542	13,346	22.414
	1958-2		1						1							1				
	1958-3				1									1		1				
1957	No requisitions appealed																			
1956	No requisitions appealed																			
1955	No requisitions appealed																			
1954	1954-1		1		1				1							1				
	1954-2		1	2					1							1				
	1954-3			1									1				1	48,835	3,809	7.800
1953	1953-1				1				1								1	265,638	24,149	9.090
1952	1952-1			1									1				1	36,467	2,000	5.484
	1952-2				1				1							1				
	1952-3				2				1							1				
1951	1951-1		1									1				1				
	1951-2			1									1			1				
	1951-3			1					1							1				
	1951-4			1									1			1				
1950	1950-1			1					1							1				
1949	1949-1			1									1			1				
	1949-2		1						1							1				
	1949-3								1							1				
	1949-4								1							1				
	1949-5											1				1				
1948	1948-1				1				1							1	1	266,498	13,325	5.000
	1948-2				1				1							1	1	195,532	29,287	15.000
	1948-3				1				1							1	1	141,360	15,182	10.740
	1948-4		1						1							1	1			
	1948-5		1										1			1	1	295,452	23,636	8.000
	1948-6				2				1							1	1	123,783	20,000	16.157
	1948-7				1				1							1	1			
	1948-8		1										1			1	1	24,418	2,686	11.000
	1948-9			1										1		1	1			
	1948-10			1					1							1	1			
	1948-11			1									1			1	1	16,312	1,600	9.809
	1948-12			1								1				1	1	6,126	399	6.513
	1948-13			1					1							1				
	1948-14) to 1948-23)								8		2				10					
TOTALS		1	11	14	13	0	0	1	29	0	1	2	4	8	1	33	14	\$2,561,602	\$206,531	
		(Unknown in 13 cases)																		

were.¹³

During 1948, the first year of appeal hearings, twenty-three cases, almost half of the total, were submitted to the commissioner. After this year the number of cases referred was very few in number, averaging only two per year. When inquiry was made into the sharp decrease after 1948, the reason was found to be that the municipalities became disappointed with the appeal results.¹⁴ The friction and feelings between school boards and municipal councils with respect to rising school costs was high prior to 1948. As was mentioned in Chapter II, legislation attempted in part to ameliorate this feeling. When The School Act was amended in 1948, giving municipalities the right to appeal requisitions, municipalities felt that they at last had a means available to curb rising school taxes. They took immediate advantage of the legislation and twenty-three appeals resulted. However, it soon became evident that a referral did not mean automatic reduction. Of the twenty-three cases appealed that year only eight were reduced. As a result, perhaps, municipal officials felt that, if this were the case, there was not much point in appealing unless there were sound reasons to do so.

Table III shows that there were no requisition appealed in 1955, 1956 and 1957. With respect to this the following statement was found in

¹³For example, The Annual Reports of the Alberta Department of Education supplied some information by giving yearly the number of appeals heard and the results of the appeals.

¹⁴Information obtained from personnel who were associated with the appeal commission at this time.

the 1955 Annual Report of the Department of Education:

During the year no applications were made to the Board of Public Utility Commissioners for examination of school board estimates and requisitions, the main reason being the application of the new tax reduction subsidy.

Requisition rates were sharply reduced and stabilized at approximately 25 mills as a result of the tax reduction subsidy.¹⁵

The fact that there were no appeal applications in the years 1955, 1956 and 1957 was due mainly to the existence of the tax reduction subsidy. The subsidy was discontinued in 1956 but extended in modified form for the year 1957 with the effect that grants paid in 1957 were approximately equal to those paid in 1956.¹⁶

Types of School and Municipal Governments Involved

Table III shows that of the municipalities which launched appeals during the period covered by this study one was a city, eleven were towns, fourteen were villages, thirteen were municipal districts, and one was a special area. No appeals were made by counties or by improvement districts.

¹⁵Department of Education, Province of Alberta, Annual Report, (Edmonton, Queen's Printer, 1955), p. 105. The text of page 104 gives a description of the tax reduction subsidy: "The subsidy was added to the grants for 1955 in an endeavour to stabilize requisition rates for school boards at 25 mills. Any school district, division or county which requisitioned its collecting authorities at a rate not exceeding 25 mills (exclusive of certain legally authorized special and additional requisitions) was paid a tax reduction subsidy in the amount determined by subtracting 25 from the qualifying mill rate and multiplying the result by the total assessment as at December 31, 1954, or such total assessment as approved by the Minister of Education. The qualifying mill rate was defined as the 1954 average basic requisition rate less the amount expended in 1954 from current revenue for capital purposes converted into mills, or 2.5 mills, whichever was the lesser, plus the amount of the operational deficit in 1954 converted into mills. All calculations used in arriving at the qualifying rate were based on the total assessment as of December 31, 1953."

¹⁶Annual Report, 1957, p. 111.

The types of municipal governments appealing could not be ascertained in thirteen cases because records were either unavailable or could not be found.

Of the school boards against whom appeals were made, twenty-nine were divisional boards, one was a city board, two were town boards, four were village boards, eight were consolidated school district boards, and one was a rural school district board. No appeals against county requisitions were made, nor were any appeals made against requisitions of separate school districts.¹⁷

The research revealed that a few municipalities and school boards were involved more than once in appeal cases. During the thirteen years covered by the study one village council had appealed the requisition of the same consolidated school district four different times. Another village had done this twice--here also against a consolidated school district--and one town had twice appealed the requisition of the same school division. In all the remaining cases, the municipalities and school boards were involved but once in an appeal hearing with the exception of two school divisions, one of which was involved three times, and the other, two times. Therefore there were only five instances where the same local government, either school board or municipal council, was involved more than once in an appeal case.

¹⁷A separate school district is a district which has been established by a religious minority within an already existing school unit primarily for the purpose of offering religious instruction. A separate school district and its board possess and exercise the same rights, powers, privileges and are subject to the same duties and liabilities and have the same method of government as a public school district and its board.

It should be noted from the analysis in the preceding paragraph that although eight consolidated school districts were appealed against,¹⁸ there were only four different districts involved. This is explained by the fact that one consolidated school district was involved in four disputes and another in two; the remaining two were each involved once. Thus what would appear at first sight a high frequency of appeals against consolidated school districts was in actuality not so.

Results of Appeals

Table III reveals that a total of forty-seven appeals were heard. In thirty-three cases the requisitions were approved as originally submitted and in fourteen cases they were reduced by a percentage ranging from 4.154 per cent to 22.414 per cent. The average percentage reduction in all fourteen cases where reductions were ordered was 10.399 per cent. In the thirteen years covered by this study, the total sum of the requisitions upon all collecting authorities in the province was reduced by \$206,531 as a result of the operation of the appeal commissions. This sum represents eight per cent of the total of all the requisitions which were reduced.

Analysis of the Results of Appeals

As revealed in the sketch of Alberta educational history in Chapter II, the two primary purposes for originally establishing requisition appeal boards were (1) to put checks on the rapidly rising local educational tax burden, and (2) to ameliorate the differences and the friction which had

¹⁸Table III, p. 56

arisen between local municipal and school governments. The investigation reported in this thesis is not of such a nature as to permit an evaluation of the extent to which the second purpose has been achieved. However, an attempt was made to evaluate the extent to which the local share of education costs had increased or decreased during the 1948-1960 period covered by this study. This analysis was made on the basis of statistics reported in Table IV and in Figure 1.

Table IV contains figures showing the total province-wide assessments and requisitions for school purposes during each of the years 1948 to 1960. In addition, the mill rate represented by these figures has been calculated. This mill rate has been graphed in Figure 1. A glance at column (3) of Table IV reveals that a steadily increasing amount of school requisitions was paid by local authorities year by year from 1948 on. But assessments increased steadily also and in order to assess whether the relative weight of local school taxation had been increasing the mill rates represented by the requisition and assessment figures were calculated. Figure 1 shows that the mill rate so calculated continued to increase steadily after the year 1948 with the exception of a three-year period beginning with 1955. It will be recalled that during the years 1955, 1956, and 1957, the tax reduction subsidy was implemented as an incentive, by means of increased provincial grants, for school boards to maintain their school requisition at a rate of approximately twenty-five mills.¹⁹ As can be seen from Figure 1, the representative mill rate during this period averaged approximately twenty-five mills. During these three years no

¹⁹See p. 63

TABLE IV

TOTAL PROVINCIAL ASSESSMENTS AND REQUISITIONS FOR SCHOOL
PURPOSES IN ALBERTA FOR THE YEARS 1948-1960

Year (1)	Total assessments (2)	Total requisitions (3)	Mill rate represented (requis./assess.) (4)
1960	\$1,626,315,246	\$54,353,719	33.42
1959	1,438,615,254	46,671,466	32.44
1958	1,391,110,842	41,091,848	29.54
1957	1,302,845,133	35,678,197	27.38
1956	1,209,775,788	30,374,780	25.11
1955	1,158,224,239	26,904,108	23.23
1954	1,060,014,549	31,284,290	29.51
1953	961,191,274	28,135,523	29.27
1952	931,488,434	25,214,091	27.07
1951	829,707,993	21,879,905	26.37
1950	753,078,842	19,619,264	26.05
1949	711,143,879	17,781,887	25.00
1948	658,082,744	15,548,427	23.63
Total		\$394,537,504	

Column 2: Figures for 1948-1952 inclusive from Annual Reports of the Department of Municipal Affairs. Remaining figures from Annual Reports of the Department of Education.

Column 3: Figures from Annual Reports of the Department of Education.

Column 4: Calculated.

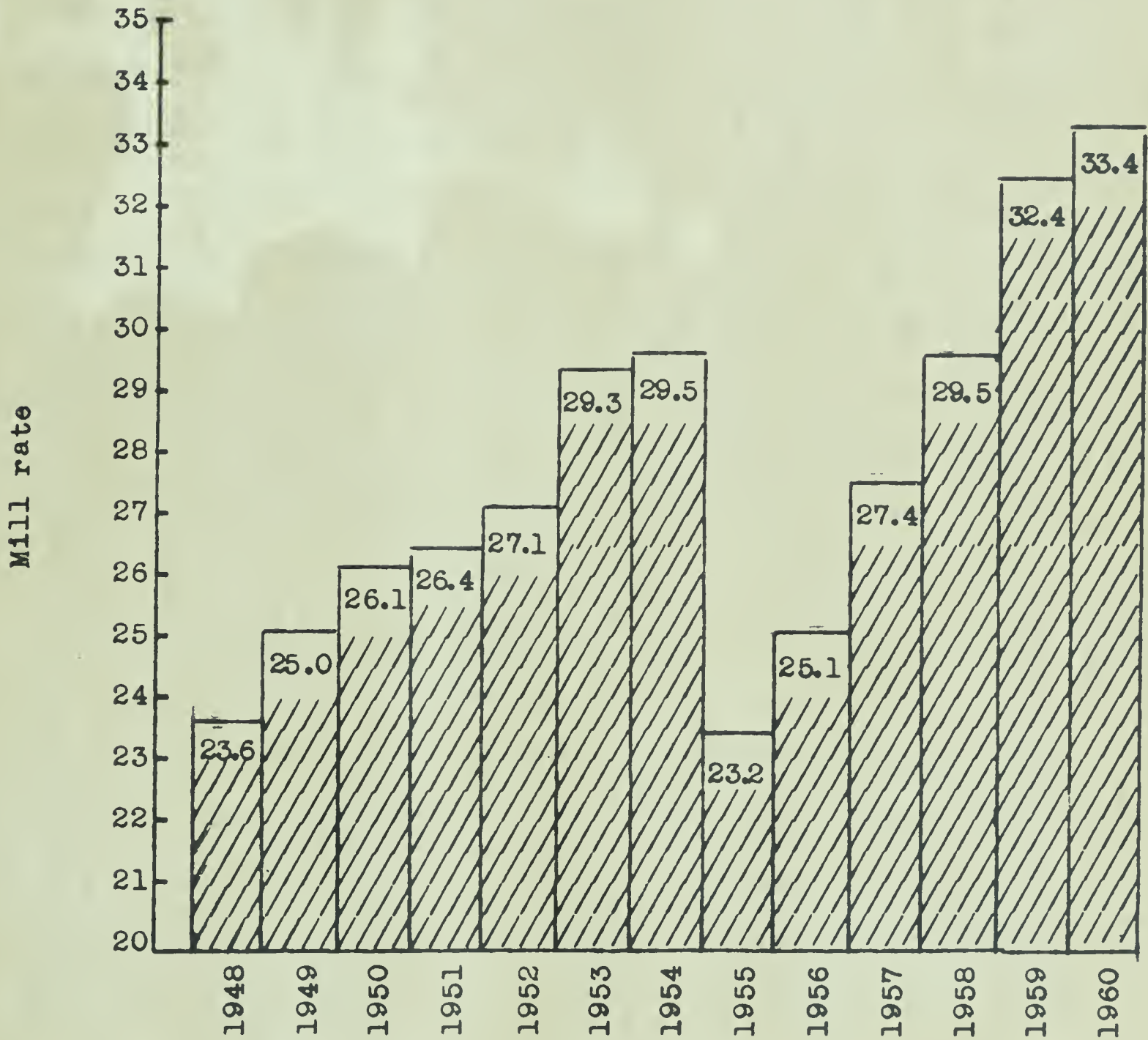


FIGURE 1

MILL RATES FOR ALBERTA REPRESENTED BY TOTAL SCHOOL
REQUISITIONS OVER TOTAL SCHOOL ASSESSMENTS
(BASED ON TABLE IV)

school requisitions were appealed by collecting authorities. With the exception of the three-year period covered by the tax reduction subsidy, Table IV and Figure 1 show clearly that the local share of school costs continued to increase steadily from 1948 to 1960. From this the conclusion was made that the operation of requisition appeal boards was not an effective factor in stabilizing school costs.

In carrying the analysis a step further the total of all the reductions ordered by requisition appeal boards as shown in Table III, page 56, was compared with the total sum of all requisitions as shown in Table IV. In comparison to the \$394,537,504 requisitioned, the reductions amounted to only \$206,531 or 0.05 per cent of the total of the requisitions. It was concluded from this that the amount of school taxes reduced during the period 1948 to 1960 by the direct intervention of an outside appeal agency was negligible when viewed on a province-wide basis. Furthermore, if this conclusion were translated into terms of control over the fiscal and administrative activities of Alberta school governments on an overall basis, the same would hold true. This is not to say that the impact of the requisition reductions upon the individual school boards was negligible, but on a province-wide basis, the impact was negligible. The findings in Chapter VI will show the extent to which reductions ordered by appeal commissions actually did affect the fiscal needs and the educational undertakings of the individual school boards involved.

Limitations of the Analysis

1. The implication should not be drawn from the above analysis that the provision for municipal governments to appeal school board

requisitions was the only factor operative in attempts to solve inter-governmental problems at the local level. It was but one of many factors and as such did not prove successful in stabilizing local costs of education.

2. The conclusion that the operation of appeal commissions had a negligible influence on lowering local school cost can be made only tentatively because there is no way to predict what the province-wide tax increases might have been if an appeal board had not been an ever-present factor. No measure has been made of the effect of the existence of appeal boards on the rate of tax increase. There is no doubt that just the existence of appeal machinery had a psychological effect upon school boards in planning their educational programs and in drawing up the budgets necessary to implement these programs. The extent of this effect was not measured in this study. The conclusions were drawn on the basis of other facts available.

3. The assessment figures used in column (2) of Table IV, page 62, were the yearly totals of all assessments for school purposes in the province. It should be pointed out that different municipal governments calculated their assessments on different bases. The basis on which the assessed valuation of land or buildings in one municipality was calculated might have been different from the basis used in another municipality. As a matter of fact, as will be seen later in Chapter V, this inequality of assessment formed the basis of many requisition appeals. Despite this limitation the decision was made to use these figures in the analysis on the assumption that they would give the most accurate measure available of a province-wide tax rate.

SUMMARY AND CONCLUSIONS

The findings on the problems dealt with in this chapter revealed that the legislation making possible the referral of a school requisition by a municipality was enacted in 1948 and amended or affected by other legislation in 1949, 1950, and 1951. Major amendments included the transfer in 1951 of the responsibility for hearing appeals from an appointed commissioner to the Board of Public Utility Commissioners, and a change in 1951 in the terms of reference defining the type of requisition which could be appealed.

No evidence was found to show that the appeals were improperly constituted. Cases were investigated by holding hearings in a center in the area where the dispute occurred. Representations were made at these hearings by all who were affected by the school requisition and also at times by the Department of Education and the Department of Municipal Affairs. After the hearings the appeal commission notified, in writing, all concerned as to its decision. Decisions were final and binding on all parties and there were no appeals therefrom.

The findings showed that of forty-seven requisitions appealed thirty-three were approved as originally submitted and thirteen were reduced by an average reduction of 10.4 per cent. The smallest individual reduction amounted to 4.154 per cent, while the largest reduction amounted to 22.414 per cent. The sum of the reductions of all requisitions that were reduced was \$206,531. This sum amounted to eight per cent of the total of the original amounts of all the requisitions that were eventually decreased and to 0.05 per cent of the total of all requisitions submitted during the

period 1948-1960.

Approximately one-half of the appeal cases occurred in 1948. From 1948 to 1960, an average of two cases per year was heard. The reason for the decline in frequency was thought to be the municipalities' disappointment with the low number of reductions awarded. In 1955, 1956, and 1957, because of the tax reduction subsidy, no applications for appeals were submitted.

No counties, improvement districts or separate school boards were ever involved in a dispute before the appeal boards. Cities, special areas, and the boards of city, town, village, and rural school districts were involved only infrequently. The highest and an approximately equal number of appeals were made by towns, villages, and municipal districts. The defendants were most often school divisions.

In the analysis of the results of appeal decisions no attempt was made to measure the extent to which intergovernmental friction was reduced nor the extent of the psychological effect upon the fiscal and educational activity of school boards. An attempt was made, however, to determine whether the existence of appeal commissions was a prime factor in stabilizing the levels of school expenditures. The conclusion drawn was that the effect had been negligible.

CHAPTER V

THE GROUNDS FOR APPEAL

In this chapter the reasons given by collecting authorities for appealing school board estimates and requisitions are recorded together with illustrative extracts from the materials searched. In the summary, the frequency of occurrence of the various reasons is given.

Certain limitations as to the availability of data relative to this chapter should be mentioned. Table III, page 56, shows that no records were uncovered for thirteen cases. In addition, mainly because of the fact that it was not until after 1950 that a statement of reasons was legally required with an application for appeal, no reasons for appeals being made were found in nine of the sixteen cases occurring in 1948, 1949, and 1950 for which records were available.¹ Thus the findings in this chapter are based on the data of twenty-five of the forty-seven cases.

FINDINGS: REASONS FOR APPEAL

Excessive Increase in Mill Rate or Budget Estimates

As expected, objection that the total requisition or that estimates for certain budget items had increased substantially over the previous year, or had been steadily increasing over a series of years, was the most frequent reason for appeal. All cases referred prior to 1951, as shown in Table II, page 52, had requisition increases of over twenty per cent,

¹Chapter IV, p. 40.

although this was not always the primary grievance upon which an appeal was based.

Usually when increased cost was the basis for appeal, the collecting authorities questioned increases of specific budget items. At the hearings explanations were most often requested concerning estimates for teachers' salaries, plant operation and maintenance, pupil transportation, library and textbooks, instructional equipment, repairs, and interest on current loans and bank charges.

The following extracts from the records typify statements concerning increased school demands:

The above requisition went up this year 40%. Is this in order as I thought there was a limit that we could be assessed?²

It was submitted on behalf of the town that the requisition for the year 1951 made upon the town was \$46,500.00, compared with \$34,885.00 for the year 1950, an increase of \$11,615.00; that the school population at September, 1950 was 498 and that the estimated enrolment by September 1951 was 550; that in 1950 the per capita cost of education was \$117.00 and that on the basis of the present requisition the per capita cost of education would be approximately \$141.00.

.
It was further pointed out that while the school population had increased by less than fifty per cent between 1947 and 1951, the requisitions during the same period had more than doubled.³

Representations were made on behalf of the M. D. to the effect that the increase in the school division requisition for last year was 35.35%; for 1951 it was \$117,749.46, and for 1952 it was \$159,384.00; that there was a general overall increase of 34.08%; that there was an increase for transportation charges of \$18,299.02
. . .⁴

²Case 1948-11.

³Case 1951-1.

⁴Case 1952-3.

Mr. _____, speaking on behalf of the municipal district stated that he had received a requisition from the school division for the year 1952, amounting to \$38,089.00. He stated that his municipal district was a small district and only comprised $7\frac{1}{2}$ townships. The proposed requisition would increase the mill rate for school purposes from 25 mills in 1951 to 35 mills in 1952, and the total mill rate for 1952 would be $58\frac{1}{2}$ mills as against 53 mills in 1951. The assessments in 1952 with the municipal district were approximately the same as 1951. He commented as to whether there was any limit for taxation for school purposes and surmised the possibility of a requisition for school purposes in 1953 of \$50,000.00.⁵

Taxation at Saturation Point

Infrequently appeals were based on the grounds that taxation had reached the highest limit that would be tolerated by the community. In these cases municipal governments objected strenuously to the mandatory nature of school requisitions. Requisition demands had to be paid at regular intervals and could not be delayed until such a time as tax money was available. A further grievance was that the proportion of taxes allocated for school purposes was entirely out of balance with the proportion allocated for municipal purposes. The school requisitions were exhausting the tax-paying ability of the municipality and the amount of taxes available for municipal purposes was being seriously curtailed. The following cases illustrate these grievances:

The Municipal District of _____, No. ____, in its application stated: "The excessive increase in the estimated expenditures of the said Division in 1954 and the subsequent increase in requisitions to contributing authorities has created a grave situation for the taxpayers as it is beyond their ability to pay. This can only lead to serious financial difficulties for the Municipality as the Council would be unable to meet their commitments. The council feel that the school facilities in the _____ School Division have expanded too rapidly. The Municipality is forced to levy a high mill

⁵Case 1952-2.

rate to cover school requisitions; provide sufficient funds to construct and maintain roads together with all other services necessary in the administration of the Municipal District, creating a serious hardship on the taxpayers beyond their ability to pay.

.
The Council has in view of the recognized limitation of ability to pay, maintained the mill rate at 55, allocating 53 mills to school and the balance of 2 mills to Municipal purposes. Obviously, this is creating an unhealthy situation quite out of balance and will reduce the available funds for municipal purposes to strangulation levels.⁶

His Worship the Mayor, speaking for the Village of _____ stated that the Village had been compelled to purchase a fire engine and in addition that there were some very necessary public works expenditures which had to be made during 1951. He commented on the present principle whereby the towns and villages were compelled to pay the school requisition instead of remitting the taxes as and when they were collected from the taxpayers.⁷

Methods of Financing Capital Expenditures

Financing capital expenditures out of current revenue was often appealed on the grounds that such expenditures, if paid out of current revenue, would impose a severe tax burden on present ratepayers. Since the benefits of capital programs would accrue not only to the present residents but to future residents as well, it was argued that capital expenditures should be amortized over a long period of time by means of debenture sales. Furthermore, the issuance of debentures would give ratepayers an opportunity to call for a referendum on proposed capital programs; financing out of current revenue did not give citizens this opportunity. Statements such as the following were made:

The town objected to the Division charging an expenditure of \$9,500.00 to current operations to meet the cost of building a residence for the Assistant Superintendent of Schools.

⁶Case 1954-1.

⁷Case 1951-4.

.
 In explanation of the expenditure the chairman of the division explained that if the monies required to meet the cost of the teacherage were borrowed by way of debenture the interest charges would have the effect of doubling the cost on a long term basis. Mr. _____, the Mayor of the town, objected to the total cost being reflected in the current year's cost. He pointed out that this was an asset of enduring characteristics and its cost should be borne by present and future taxpayers and not shouldered by the present taxpayers in one year.⁸

The estimates are excessive in the opinion of the council due to the inclusion in the estimates of an item of \$30,000.00 for the purchase of land for a junior college. The total purchase price of the land is \$75,000.00 of which \$10,000.00 was paid last year by the district. Since the possibility of a junior college being built in the next five years is remote the council feels the money should be borrowed and the costs spread over ten years.⁹

There were three main objections taken to the estimates: . . .
 (3) the provision of \$25,000.00 for the purchase of school busses out of current revenue.¹⁰

Inequity of Assessments or Tax Burden

With the enlargement of units of school administration, it was not unusual for the boundaries of a school division to encompass as many as five or more municipal units. This gave rise to at least two problems in connection with assessments and tax burden: (1) the different municipal units were using different bases of assessment, and (2) some municipal units had a much greater tax-paying ability and therefore generally underwrote the educational expenditures incurred on behalf of the poorer neighboring units. These problems formed the basis of appeal of some cases as witnessed by statements such as these:

⁸Case 1960-1.

⁹Case 1960-2.

¹⁰Case 1953-1.

It was pointed out that the equalization of assessment must be considered in order that the burden of the cost of education in this area should be equitably divided amongst all types of taxpayers.

It was suggested that grants made by the Department of Education of the Province of Alberta should be equitable and that consideration should be given to the unproductive and non-revenue producing land situated with the _____ School Division area.¹¹

He pointed out that there had not been a reassessment in the M. D. of _____ for many years and consequently the village was required to pay more than its fair share. He gave examples of land in the M. D. of _____ which averaged about \$10.00 a quarter.¹²

As an illustration, the lots in subdivisions and hamlets surrounding the town were assessed at \$10.00 a lot while in the town of _____ just across the boundary line similar parcels of land were assessed at \$100.00 a lot.¹³

It is further disclosed that the amount of the requisition levied on Improvement District No. ____, in accordance with the provisions in The School Act, does not provide sufficient revenue to the _____ School District to pay for the cost of educating the children of the said Improvement District.¹⁴

Overspending of Budget Allotments

Objection was at times taken by municipalities to the creation of school budget deficits by overspending the amounts that had been allotted to specific budget categories. Previous year's deficits had to be included in present estimates and therefore increased the amount of requisition accordingly. The following are examples of such objections:

Mr. _____ pointed out that whereas the estimate in 1958 for library books and textbooks was \$2000.00 the actual amount expended

¹¹Case 1954-1.

¹²Case 1952-1.

¹³Case 1951-3.

¹⁴Case 1948-8.

by the division for this purpose for the year 1958 was \$5,769.52 and he wished to be advised what caused this increase in expenditure over the amount budgeted and who authorized such an increase.¹⁵

Representation made on behalf of the Municipal District of _____ were as follows: . . .that the item of \$12,000 for purchase of an office building was not provided for in the estimates of the previous year. . .¹⁶

Objection to Educational and Administrative Policies

At times municipalities objected to certain educational or administrative policies which school boards were pursuing. They felt that the boards were undertaking expenses which were not essential, hiring unnecessary professional or nonprofessional staff, or providing for too many "frills" in the school program. The following were some of the objections in this category:

The town also questioned the necessity of engaging an Assistant Superintendent.¹⁷

Representations on behalf of the Municipal District of _____ were as follows: . . .that there was an item of \$50.00 per month for travelling expenses of the Secretary from _____ and it was considered that the Secretary should live at the same place as the office was located.¹⁸

The village presented a brief containing the following recommendations: . . .that a special mill rate be levied on the property contained in School District No. ____ for the purpose of meeting all the expenditures of the Boarding House maintained by that School District.¹⁹

In protesting the requisition, the Town of _____ stressed the

¹⁵Case 1959-1.

¹⁶Case 1952-3.

¹⁷Case 1958-2.

¹⁸Case 1952-3.

¹⁹Case 1948-9.

the following items: 1. The schedule of salaries agreed to by the school board was on too high a scale.²⁰

The foregoing may be described as the statistical factors on which the application is based, while the concrete grounds of appeal are in general that there is no need for the highly elaborate and expensive kind of high school education being provided in the town, and that the general statement is particularly related to two factors. The first is that the cost of approximately \$4,000.00 per annum for the operation of the Household Economics and Shop course is beyond the financial ability of the town and that while these courses may have merit, they should not be provided at the expense of the local school boards. Secondly, it is said that the _____ School District cannot afford seven teachers for the six classrooms in the high school and intermediate school; that one teacher could be eliminated resulting in a saving of from \$4,000.00 to \$5,000.00 a year.²¹

Objection to Financial Management

Aside from questioning the procedure of financing capital expenditures out of current revenue, municipal officials also questioned other financial procedures. For example, in Case 1960-1, a town objected to the school division's procedure of reducing debt charges by an amount of \$61,349.00 by using surplus funds from debenture borrowings to meet current debenture debt charges. According to The School Act, section 275, the school board was not authorized to use debenture surpluses in this way. The Act provided that any such surplus monies remaining from the sale of debentures should be used (a) to redeem debentures, or (b), with the consent of the Board of Public Utility Commissioners, for a purpose within the scope of subsection (1) of section 235 of The School Act. (This section referred to acquiring sites, buildings, busses, water supply, and constructing sewage lines.) The division did not propose to use these funds to redeem debentures

²⁰Case 1948-4.

²¹Case 1951-1.

as the statutes permitted but rather to use them to meet current instalments falling due on such debentures. The town objected to this as being irregular financial management.

In another case, a town objected to the school board's proposal to pay off the balance of a long-term loan out of current revenue instead of continuing to pay off the debt on the basis of the original contractual arrangements.²²

Failure to Take Surplus into Account

Surpluses and deficits accruing in any given year were generally expected to be included in the budget estimates of the succeeding year. Thus, a surplus would, in effect, reduce the total estimate, whereas a deficit would increase it. The only provision in The School Act for actual budgeting for a surplus was contained in subsection (2) of section 297 which read, "(2) The estimate may include an additional amount to be approved by the Minister, to be set aside as a reserve fund for capital expenditures."²³ The intent of this subsection was that surpluses had to be budgeted with permission of the Minister and that they had to be shown as an item in the budget estimates. The surplus could not be garnered by overestimating certain budget entries. As shown by the following extracts, the accumulation of surpluses in this way formed the basis of certain appeals.

His Worship, the Mayor, stated that in general the village had no fault to find with the budget but he did point out that the Auditor's report and Financial Statement as at January 1st, 1951, showed a cash surplus of \$12,602.00. The village contends that part of that surplus should be carried into revenue for the year

²²Case 1958-2.

²³Statutes of Alberta, 1952, c. 80, s. 297.

1951 and so effect a reduction in the mill rate.²⁴

The town in its application claims the estimates made by the School District are excessive because in preparing such estimates the School District has failed to take into account a cash surplus of approximately \$40,000.00.²⁵

In Case 1960-3, the case from which the latter quotation was taken, the appealing town argued that the school board had been accumulating surpluses over a period of five years; that The School Act did not permit budgeting for contingencies; that after determining its budget the school board was required by section 258(1) of The School Act to requisition the municipality for that portion of its estimates "that is required to be raised;" and that if the school board had a surplus on hand at the beginning of the year, it was not required to raise by requisition the full amount of its budget less income for the current year in order to carry out its obligations for the year.

Budgeting in Anticipation of Future Indebtedness

In certain cases municipalities objected to school boards including in their current estimates appropriation to cover debts which had not yet been incurred. For example:

In protesting the requisition, the Town of _____ stressed the following items: . . .that provisions for interest and principal payments on debentures not yet issued should not be included in the current budget.²⁶

The estimate of \$18,000.00 covering payment of principal and interest on debenture borrowings did not agree with the auditor's report for the year 1958 which showed an amount of \$13,369.75.

²⁴Case 1951-2.

²⁵Case 1960-3.

²⁶Case 1948-4.

In explaining this Mr. _____ advised that the Division Board considered that an additional amount would be payable with respect to a further debenture borrowing of \$35,000.00 authorized in 1958. It was found, however, that the first payment with respect to this borrowing would not be necessary until 1960 and accordingly it would appear that the correct amount should be \$13,369.75 as shown in the auditor's report.²⁷

Unfair Exemptions

Several instances of objections based wholly or partly on what municipal officials considered unfair tax exemptions were found. In one appeal, Case 1958-3, the objection was not to tax exemptions as such but to the fact that occupants of certain unproductive lands were not paying taxes because of their poverty and therefore that other municipalities were underwriting their liability. The municipal district could not enforce the collection of delinquent taxes by the usual methods because the property in question was registered in the name of Her Majesty in the Right of Canada.

In Case 1954-1 complaints were made with respect to a trans-mountain pipeline and pumping station, and other industrial construction being exempted by the provincial government from taxation.

Budget Figures in Error

The complaint that figures in the budget estimate were in error or in need of correction was included by municipalities among other protests voiced against a requisition. One of the arguments in Case 1953-1 was that grant figures shown in the budget estimate were less than those eventually to be paid.

The appeal in Case 1954-2 was based entirely on the grounds that

²⁷Case 1959-1.

budget figures were in error. To quote from the records of this case:

There were three main objections taken by the municipalities in connection with the estimates. The first objection was that due to a clerical error the requisition from the Municipal District of _____ was \$6,210.60 short of what it should have been. The second objection raised was that a sum of \$18,000.00 payable by the County of _____ as a result of the annexation of part of the _____ School Division to the County of _____ was not included in the requisition. The third objection taken was that the grant to the School Division had been increased by \$47,274.10 over that shown in the estimates.

Inclusion Agreement Unsatisfactory

The School Act provided that a board of a division could enter into an agreement with the board of any city, town, village, consolidated or separate school district for the inclusion of the district in the division upon such terms as were to be agreed upon. The argument was made in Cases 1950-1 and 1948-8 that the inclusion agreement was unsatisfactory in that the included district under the agreement was contributing, in the former case, too much, and, in the latter case, too little of its fair share in taxes.

Reasons For Appeal Unknown

As was mentioned in the introduction, the reasons for the appeal of twenty-two cases could not be determined either because records could not be found or because the records that were found did not contain the information.

SUMMARY AND CONCLUSIONS

The summary of the grounds for appeal are here presented in abbreviated and tabulated form in Table V. In addition the frequency of occurrence of the various reasons is listed to show which arguments were found

TABLE V
 GROUNDS FOR APPEAL

Reasons for appealing	Frequency of occurrence in records
Excessive increases in mill rate or budget estimates	17
Taxation at saturation point	4
Method of financing capital expenditures	6
Inequity of assessments or tax burden	9
Overspending of budget allotments	4
Objection to educational and administrative policies	7
Objection to financial management	3
Failure to take surplus into account	2
Budgeting in anticipation of future indebtedness . .	2
Unfair tax exemptions	2
Budget figures in error	2
Inclusion agreements unsatisfactory	2
Reasons for appeal unknown	22

most often in the records. It should be understood that seldom was there just one reason given for appealing a requisition. However, there seemed to be no given combination of reasons which appeared more frequently than any other combination.

As shown in Table V, the claim that school estimates had increased excessively and unjustifiably was the factor which brought most municipal appeals before the appeal commissions. Appearing next in order and with almost equal frequency were the objections to the inequity of assessments or tax burden, to educational and administrative policies pursued by school boards, and to the method of financing capital expenditures. All other reasons were found to occur with almost equal frequency.

During the processing of the data for this chapter certain generalizations about the grounds for appeal became apparent:

1. The frequency of disputes centering around excessive increases in the school requisition and in the general mill rate indicated a genuine and continuing concern among local authorities about the increasing burden of local taxation. In most cases, as shall be seen in Chapter VI, these increased costs were deemed to be necessary in order for school boards to meet their commitments and were not due to extravagance or poor business management.

2. Many of the cases came before appeal commissions not because the municipal authorities were taking issue with any specific item in the budget but because they had grievances to air. In such cases, the grounds for appeal were usually matters beyond the jurisdiction of the appeal boards. In Table V, for example, the matters of inequity of assessments or tax burden, objections to educational or administrative policies, unfair

exemptions, and unsatisfactory inclusion agreements were all matters which were outside the terms of reference of the appeal commissions. As will be remembered from Chapter IV, the appeal commissions were limited either to approving or reducing the estimates; they could do nothing about grievances centered around matters such as mentioned above except make recommendations.

3. Many of the disputes illustrated lack of close liaison and cooperation between school and municipal governments. This was so despite the fact that provision was made in The School Act in 1946 for each government to have representation at one another's meetings in which budget and other affairs of mutual concern were to be discussed. No doubt certain of the appeal cases would have been avoided had a more trustworthy interest been shown in the planning and objectives of the partner-governments. The commissions in their decisions often recommended that the local governments make fuller use of the opportunity to gain a mutual understanding of each other's policies. The following is an extract from a letter written by the appeal board to a town council in regard to this last point:

It is hoped that by the attendance of a member of the Council at the School Board meeting when the budget is being drawn up and by the attendance of a member of the School Board at the meeting of the Council, when the tax rate is being struck, that many of the problems which the Board and the Council have to meet would be more easily understood by each body.²⁸

²⁸Case 1948-8.

CHAPTER VI

THE RATIONALE UNDERLYING APPEAL

COMMISSION DECISIONS

Of the forty-seven school board requisitions referred to appeal commissions during the period 1948-1960, thirty-three were approved as originally submitted and fourteen were reduced. One of the purposes of this study was to determine the rationale and the principles which lay behind the decisions made by the appeal boards. It is to this purpose that Chapter VI is devoted. The findings are set forth first with respect to reasons for approving requisitions, secondly with respect to reasons for reducing requisitions, and thirdly with respect to recommendations and statements of financial principles made by appeal commissions. Certain of the more important financial principles adhered to by the commissions in making their decisions are examined by reference to the literature.

LIMITATIONS OF DATA

Again it is necessary to mention that certain limitations affect the findings in this chapter. The records found for decisions handed down by appeal boards during the first three years of their existence were typified by the form shown in Case 1948-6 in Appendix A. All that was contained in the records for 1948-1950 was the board order either to approve or reduce the requisition. With the exception of five cases, no reasons for the decisions were given. However, seventeen of the eighteen decisions handed down in cases after 1950 were accompanied by a statement of reasons. Table

VI summarizes what data were available and what data were lacking for the purpose of this chapter. As shown, for the requisitions approved, reasons were stated in sixteen cases, but were not found in seventeen. For the requisitions reduced, reasons were stated in five cases and were not found in nine.

RATIONALE IN CASES INVOLVING APPROVAL

Grounds for Appeal Outside Jurisdiction of Board

Mention was made in Chapter V that frequently appeals were based on matters which were outside the terms of reference of the appeal board. Such appeals centered around problems of assessment, educational and administrative policy, exempted property, and inclusion agreements. In such cases the appeals were dismissed and the requisitions approved because the matters were ruled to be outside the jurisdiction of the appeal board. The statements made by the appeal commissions in several cases of this nature are given here to illustrate the thinking involved.

In case 1951-1 the appeal of a town was made against a school district on the basis that the school board was providing for frills in the educational program offered in the school. The objections were particularly aimed at the facts that Household Economics and Shop courses were being provided at too high a cost, and that too many teachers were being employed in proportion to the number of classes in the school. In this case the town was obviously questioning the school board's educational policy.

In making its decision the appeal board made the following remarks:

The direction given to the Board by The School Taxation Act is that the Board after due investigation and upon hearing representations may

TABLE VI
REASONS BEHIND APPEAL
BOARD DECISIONS

Decision	Reasons stated	Reasons unknown because:		Total
		no records found	no reasons given in records found	
Requisitions approved.	16	13	4	33
Requisitions reduced	5	0	9	14
Total	21	13	13	47

(a) approve the estimates and requisitions; or (b) direct that the requisitions upon the various municipalities each be reduced by a percentage and that the estimates be revised accordingly. There is no direction in the Statute as to how the Board shall deal with the applications of this kind.

It does seem, however, to the Board that the School District is empowered to provide Home Economics and Shop courses and it would seem to the Board, that if it attempted to substitute its judgment for that of the School Board in these matters, it would be going much further afield than is contemplated by the Statute, or putting it another way, if this Board should say to the School Board you must eliminate the Home Economics and Shop courses and you must also dispense with one teacher and lower the standards, it would in effect be repealing the provisions of The School Act. The Board considers that there are cases where estimates might be reduced, as for instance if the School District had built up a substantial reserve or if it budgeted for a substantial surplus, or if it proposed to make unreasonable capital expenditures out of revenue, or if its programme of expenditures was beyond all reason, then this Board very properly could reduce the estimates.

Under all of the circumstances it is of the opinion that the estimates and requisitions should be approved and IT IS ORDERED accordingly.

The above statement by the appeal board is significant not only because it expressed the limits of the appeal boards' powers, but also because it summarized four of the principles that were consistently applied over the period under study to cases where reductions had been made. These principles will be elaborated more fully in the next section of this chapter.

Case 1952-2 illustrates another judgment in which recognition was taken of the limited jurisdiction conferred upon the appeal board by the statutes. In this case inequity of assessments was the main grievance of the appealing municipal district. In making its decision the appeal board stated:

In the present case no serious objection was taken to any particular item in the budget of the Division and the real complaint seemed to be that by reason of the low assessment in the Improvement Districts, the Municipal District of _____ and the Town of _____

were required to pay more than their fair share of the total requisition and an amount which would seriously handicap them in carrying out any municipal work. The Board is of the opinion that while this contention may be true, that in view of the limited jurisdiction given to the Board by Section 293a of The School Act, the Board is unable to rectify the situation and accordingly has no alternative but to approve the estimates and requisitions of the _____ School Division No. ____.

Four other cases in addition to the two from which the above extracts were taken were similarly disposed of. They dealt with inequity of tax burden and disputed inclusion agreements. The requisitions in each case were approved on the grounds that the matters in dispute lay outside the jurisdiction of the appeal board.

Funds Requisitioned Necessary

Requisitions were approved if, in the opinion of the appeal board, the funds estimated were required by the school board in order for it to meet its obligations for the coming year. To illustrate, in Case 1948-10, a village appealed against a school division arguing that the figure for current revenue for capital expenditure was excessive. The commissioner pointed out that while he was not in favor of large capital expenditures being met out of current revenues, in this case the cost of a building had exceeded the estimated cost which was borrowed by debenture and since the building could not be left in a state of partial completion, he felt that the sum requisitioned was necessary and that he was not disposed to alter it.

In Case 1954-1 the appealing municipalities stated that a combination of problems peculiar to their area such as long and difficult bus routes, large tracts of unproductive lands with low assessments, and extensive capital works were raising the mill rate over 150 per cent of the average of the province and that this was placing the municipalities in a very

difficult position. However, in stating its decision the appeal commission said:

From the representations made to the Board on this application it was apparent that no major reductions could be made in the budget of the School Division, and as the requirements were there, the requisitions could not be reduced.

The requisition of the school division referred to in the previous case was appealed again in 1958 (Case 1958-2) and in 1960 (Case 1960-1). The prevailing reasons were the same as in the first case. In both Case 1958-2 and Case 1960-1 the estimates and requisitions were again approved on the grounds that (1) the funds estimated were necessary and were not being expended for anything contrary to The School Act, and (2) the other objections upon which these appeals were based were outside the jurisdiction of the commission.

An appeal occurring in 1949 (Case 1949-2) was dismissed, again because the commissioner felt that the requisition was necessary and not excessive. However, this case was interesting in that it pointed up a weakness in the appeal legislation in existence at that time. It will be recalled that in order for cases to be appealed at that time the law required that the requisition in question had to exceed the previous year's requisition by more than twenty per cent. The requisition in Case 1949-2 exceeded the 1948 requisition by twenty-six per cent, but the large part of this increase was due to an increase in assessment and not to an increase in mill rate. Thus it was possible before the amendments of 1951, for municipalities to appeal requisitions which had in fact not increased the local tax burden.

Cases Involving Overestimation

Case 1960-1 is an example of the situation where certain budget

figures which were considered excessive were not disturbed because the figures for other items had been underestimated. In this case the commission was of the opinion that the school board's estimate for teachers' salaries was reducible by \$32,000.00 and that the cost of constructing a teacherage (\$9,500.00) should be borrowed by means of debentures. Thus, in total, the appeal commission held that the divisional board had provided for the sum of \$41,500.00 in excess of actual requirements. The requisition, however, was not reduced by this or any amount because, for some reason or other, the school division had overlooked the sum of \$61,349.00 required to pay current debt charges and interest. As a result the division had failed to provide for a deficit of \$19,849.00. The commission in approving the requisition commented:

In arriving at this decision the Board is not unmindful of the estimated deficit of \$19,849.00 that results from the adjustments above summarized. The Board, however, considers that the Divisional Board will have to explore and institute such economies as are necessary to keep the costs of its operations within its 1960 revenue receipts.

It should be noted that it was not within the power of the appeal board, according to statute, to order the requisition increased to meet the deficit.

In another case (1960-2) a city school district had purchased a large school site of sixty-five acres for \$74,794.00. Under the terms of the agreement the payment of the purchase price was made as follows: \$10,000 on execution--December, 1959; \$30,000 on March 30, 1960; and \$34,794 on March 31, 1963. The city council based its appeal on the argument that the purchase of this land should have been financed by debenture issues. If this had been done the annual payments per year would have

amounted to \$10,162.00. As it was, the sum of \$30,000.00 was required to meet the payment due in 1960.

After hearing the case the appeal board approved the requisition but commented:

The Board considers that it would have been preferable for the School District to borrow the sum of \$74,794.00 by debenture which, in addition to easing the burden of the present taxpayer, would also have given him the right of requesting that a poll be taken on such borrowing. On the other hand the Board recognizes that the School District has incurred a contractual obligation with respect to the purchase of the land on which a payment of \$30,000.00 is required in 1960.

The Council of a city or of a town or village is restricted as to its authority to contract debts not payable within the current year. Under The City Act, subject to certain exceptions, no by-law for creating a debt not payable within the current year has any effect until it has received the assent of the proprietary electors. A similar safeguard is also contained in The Town and Village Act. In addition both The City Act and The Town and Village Act provide that a by-law for contracting debts not payable out of the revenues of the current year shall provide for the issue of debentures. It would appear to be an anomaly in The School Act that the school board which does not have the responsibility of levying taxes may, without even the tacit acquiescence of the collecting authorities or the ratepayers incur a contractual obligation not payable within a year of the substantial sum of \$75,000.00. The Board does not approve this method of financing but it is not contrary to the Statute and it cannot be said that the funds the school district has requisitioned from the contributing local authorities are not necessary to meet its expenditures for the year 1960. Accordingly, the Board does not propose to make any change in the 1960 requisition. . . .

Cases Involving Surpluses or Balances

When appeals were based on the objection that the school board was building surpluses or that it was failing to take surpluses into account, the decisions handed down by the commissions sometimes dismissed the appeal and sometimes upheld it. In three cases of this nature the appeals were dismissed because the surplus funds against which the collecting authorities were objecting were considered necessary to provide for accumulated cash

deficits or for debts which had been incurred.

Case 1951-2 is a case in point. A village, in appealing a consolidated school district's requisition, stated that it had no fault to find with the budget but that it did think that a surplus of \$12,603.00 shown in the Auditor's Report and Financial Statement should be used to reduce the requisition. The appeal commission in hearing this case stated:

Theoretically this argument would appear to be well founded but this Board must deal with the facts as they exist.

The district issued debentures in the sum of \$70,000.00 for the purpose of constructing a six-room school. After the debentures were authorized, it was decided to add an auditorium to the building and in the final result the completed building will cost in the neighborhood of \$110,000.00 or \$40,000.00 more than was raised by way of debenture.

The school board then resorted to short term borrowing in the sum of \$30,000.00 by way of loan from the Bank of Montreal, which loan was duly authorized by The Honorable Minister of Education. It is indeed unfortunate that this Board was not consulted before the auditorium was commenced, to ascertain if a further debenture issue might be possible.

The realities of the situation must be faced and it seems to the Board that in its present financial situation the School Board requires the so-called surplus for the purpose of meeting what in effect are capital expenditures.

If the Board would direct (which it has the power to do) that any part of an apparent surplus be brought into revenue in the 1951 budget, the School Board would be placed in an extremely difficult if not embarrassing position. It was either given erroneous information or misconstrued the information which it received, with the result that present ratepayers must pay off a substantial short term debt which should not have been incurred unless long term debentures were not possible.

The appeal must therefore be dismissed.

In the two other cases, Case 1951-4 and Case 1954-2, it was shown by the municipalities that the amount of grants receivable would eventually be more than that shown in the estimates with the result that more was being requisitioned than was necessary and that, if expenditures stayed within the budget estimates, a balance would result. However, the appeal board held in

both cases that the amounts referred to by those appealing could not be used to reduce the requisition because whatever balances materialized during the year would have to be used to provide for deficits which had accumulated. Therefore both appeals were turned down and the requisitions approved.

It appears from the cases just reviewed that whenever a surplus or balance was immediately necessary for some purpose, the appeal boards were not disposed to reduce the requisitions by the amount of the surplus.

Other Significant Findings

In reading the cases involving appeals that were not upheld, it was frequently found that significant general statements were made by appeal boards in connection with financial problems or financial practices which had been brought to light by their investigations. These statements were thought to be significant, not because they formed the basis on which specific appeals were dismissed, but because they exemplified the general guiding principles which appeal boards followed in the course of their deliberations. In this respect three cases were found to contain such statements that were worthy of note. A synopsis of these statements is given below:

From Case 1960-1. (1) Cost of items of capital expenditure of material amount should be borne by taxpayers over a period of years. (2) The practice of meeting current expenses by borrowing whether it is done by a government, municipality, corporation, or an individual is a practice, which, if continued, can lead only to economic disaster.

From Case 1958-2. Generally speaking, the principle that construction of new schools and substantial additions to schools should be financed by means of debenture borrowing applies. Paying capital expenditures out of current revenue may be justified if it does not represent the placing of an undue burden on the present taxpayer.

From Case 1952-3. (1) A very serious view is taken of the actions of a school board in using debenture borrowings obtained for a specific purpose for an entirely different purpose. (2) Large surpluses should not be accumulated. (3) Capital expenditures out of revenues should not be made.

Summary

The cases involving approval of requisitions revealed that boards of appeal had fairly precise concepts of the scope of their duties and of the principles of financial management which should govern their decisions. A summary of these concepts as revealed by the cases reviewed thus far follows:

1. Cases appealed on the basis of unfair assessments, disputed educational policy, inequitable taxation, and unsatisfactory inclusion agreements were dismissed on the grounds that matters of this nature lay outside the jurisdiction of the board of appeal. Especially significant was the statement that it was not the intention of the statutes that appeal commissions exercise judgment over the educational policies of school boards or that they curtail, either by direct interference or indirectly by reducing funds, any educational programs that were authorized by The School Act.

2. Appeal commissions expressed the view that it was their

responsibility and their duty in dealing with cases referred to them to direct that school boards implement their programs on the basis of sound financial management.

3. Appeal boards felt that they could properly order reductions in budgets where: (a) substantial reserves had been accumulated; (b) estimates would have resulted in substantial balances; (c) unreasonable capital expenditures were undertaken out of current revenue; and (d) programs of expenditures were beyond all reason.

4. The boards of appeal ruled that if the funds requisitioned were required by school boards to meet their obligations, no reductions should be made.

5. Reductions could properly be made in budget items that were obviously overestimated, provided that these sums did not have to be transferred to other items in the budget which were underestimated or which were outstanding liabilities.

6. Boards of appeal expressed grave concern over fiscal policies which resulted in shortages accumulating to form floating deficits--that is, deficits that could not be retired in a subsequent tax year.

7. Appeal boards held that debenture borrowing for large capital outlay was preferred over other financial arrangements if it prevented sharp fluctuations in the tax burden. In addition, this method had the advantage of giving an opportunity to call for a public referendum on capital programs.

8. Appeal boards expressed concern over the fact that school boards were not restricted by statutes or regulations similar to those governing other municipal governments for contracting debts not payable within the

current year.

9. Appeal boards considered that balances remaining at the end of one fiscal year should be used as revenue receipts for the next fiscal year.

RATIONALE IN CASES INVOLVING REDUCTIONS

Because only five cases in which reductions occurred were found to be accompanied by statements explaining the decisions, each of these cases is considered separately and in some detail in this section.

Cases Involving Balances or Surpluses

In Case 1952-1, a village appealing the requisition of a consolidated school district, advanced the following arguments in its representations:

1. The requisition upon the village was almost double that of the previous year.
2. A reassessment in the village had caused the amount of the requisition to rise excessively.
3. A similar reassessment had not been made in the other contributing districts with the result that the village was required to pay more than its fair share.
4. The requisition placed the village in such a position that it was almost impossible to carry out any of the much needed public works.
5. There was no objection to any particular item of the school budget with the possible exception of the salary of the janitor which was considered excessive.

The appeal board in deliberating this case stated:

. . .the jurisdiction of the Board is limited either to approving the estimates and requisitions or to reducing the requisitions upon

all the contributing municipalities by a certain percentage.

In the present case no serious objection was taken to any particular item in the budget of the school district and the real complaint seemed to be that by reason of the low assessment in the M. D. of _____, the Village of _____ was required to pay more than its fair share of the total requisition and an amount that would seriously handicap it in carrying out any municipal work. The Board is of the opinion that this contention was established beyond doubt, but in view of the limited jurisdiction given to the Board by Section 28a of The School Taxation Act the Board is unable to rectify this situation.

The financial statement of the school year ending December 31, 1951 contains an asset of \$2,000.00 due from the Village of _____. This asset does not appear in the estimates of the School District and accordingly the estimates and requisitions must be reduced accordingly. With this exception the estimates and requisitions are approved.

In this case the appeal board followed the principle that any surplus or asset accruing to the collecting authority should effect a reduction in the requisition. It was noted earlier in cases involving approval that a surplus did not mean automatic reduction of the requisition if, in the opinion of the board, these surpluses were immediately needed for some purpose. Evidently in Case 1952-1 such was not the situation although this was not stated specifically in the decision. In this case none of the reasons given by the appealing village for disputing the requisition was used by the appeal board as the basis for its decision.

A second instance where a reduction was ordered because of an outstanding surplus occurred in Case 1960-3. This case was considered a significant find in the records because it portrayed with much specificity and in detail the stand that the appeal board took in regard to a school board's building surpluses.

Case 1960-3 was appealed on the grounds that over the past five years the school board had gradually been accumulating a surplus which, by the end of December, 1959, amounted to \$40,724.67. The counsel for the town

appealing the case took the stand that The School Act did not permit budgeting for a contingency or budgeting for a surplus. The superintendent, representing the school board, pointed out that at no time had the school board budgeted for a surplus but that through thrift and good management had been able to meet its budget and realize a surplus as well. He contended that for the year 1959 one factor that had made this possible was that the budget had been drawn up before the teachers' salary agreement had been signed. The procedure had necessitated an estimate of the increase in teachers' salaries for the year and the school board had been fortunate in not having its estimates exceeded in the final settlement.

The appeal board in judging the case deliberated as follows:

Subsections (2) and (3) of Section 284 of The School Act dealing with estimates of school districts provides as follows:

"284 (2) The board of a non-divisional district shall, on or before the thirtieth day of April of each year, prepare and adopt a detailed estimate of its expenditures for the current year."

"(3) The estimate may include such additional amount as may be approved by the Minister, which shall be set aside as a reserve fund for future capital expenditures."

Section 285 (1) of The School Act to which counsel for the Town directed the Board's attention provides as follows:

"285 (1) Immediately after the adoption of its estimates, the board shall on the form approved by the Minister requisition the municipality for that portion of its estimates that is required to be raised by the municipality."

It is to be noted that in dealing with requisitions made by school divisions upon the municipalities The School Act by Section 300 (1) provides as follows:

"300 (1) A divisional board, in computing its requisition upon each municipality shall deduct from its estimated total expenditures its estimated total revenues from all sources other than requisitions, in order to obtain the estimated total sum required to be raised by requisitions."

No similar provision is stipulated in the Act with respect to school districts. It seems clear, however, by Section 285 (1) the legislature intended that a school district would be permitted to requisition the municipalities for funds required by it to meet its expenditures less total revenues from the ensuing year, no more and no less. The only exception to this is permitted by Section 284 (3) where, with the approval of the Minister, an additional

amount may be included in the budget to establish a "reserve" fund for future capital expenditure.

The Superintendent refers to Section 175 (d) of the Act and states that the school board by resolution has established the policy that this accumulated surplus be retained and used as a contingency fund to cover bank overdrafts.

Section 175 (d) does not permit the establishment of a surplus but merely provides how such funds may be invested. The words "surplus funds" and "reserves" as used in the section must refer to the reserve fund authorized by Section 284 (3) and surplus referred to in Section 275 of The School Act. In his argument counsel for the Town makes this submission:

"Normally the body that spends money must also raise it. This is one of the few cases where the spending body merely requisitions another body to get its money. In this case the School Board has the most intimate knowledge of its probable cost of operation. The Town in the main must accept the estimates made by the School Board. The only built in control is when the surplus in one year is carried into revenue for the next year. If this is not done, these surpluses over the years can pile up to whatever amount the School Board desires."

It is not expected that the estimates of a school board or any other body will correspond exactly with its actual expenditures. It must be expected that there will be a surplus some years and a deficit for others. It is considered that this must be recognized by all contributing municipalities and that no objection would be taken if there was a small surplus from time to time. In this case, however, there has been a cash surplus in each of the years 1957 to 1959 inclusive. This would appear to indicate that the school board of _____ School District No. ____ is inclined to overestimate its expenditures. While this Board is quite satisfied that this is not done deliberately the result is that the taxpayers have been charged more than is necessary to meet the district's expenditures. Should there be a deficit rather than a surplus this Board has no doubt but what the District could, should and would include it in its estimates for the following year. If a taxpayer is to be charged for any deficit why should he not be credited when there is a surplus? This Board's understanding is that the school board wishes to use this accumulated surplus as operating capital which, of course, is essential in commercial and industrial undertakings. It is appreciated that some working capital may be convenient even for a school board which does not raise the money which it spends but merely requisitions it from the contributing municipalities. The question is not as to whether or not an allowance for working capital would be convenient but whether or not it is essential as it was never contemplated that the taxpayer would be charged for expenditures that were not essential.

The Board has come to the conclusion that in view of the position of the school board as to the manner in which it can raise its money no fund corresponding to operating capital is necessary and in determining its requirements it should take into account surplus monies, the use of which is not restricted by Statute.

Thus on the basis of these arguments the requisition of the school district was reduced by \$40,000.00, the principle employed being that surpluses and deficits from a previous year's operations should be taken into account in preparing the budget for the ensuing year and that neither of these be allowed to accumulate either as operating capital or floating liability.¹

Case Involving Amortization

The appeal board report on Case 1959-1 is contained in Appendix A. In this case the board ordered that a reduction in the requisition be made by amortizing the recovery of an accumulated deficit over a three year period and by correcting the estimate of the amount required to meet the principal and interest payments on debentures for the year to the figure reported by the auditors. This figure had been raised in anticipation of a debenture loan which was to be forthcoming shortly.

Another case which bears some relationship to Case 1959-1 is Case 1953-1. In this case one of the three main objections voiced by the appealing municipal district was the provision of \$25,000.00 for the purchase of school buses out of current revenue. With respect to this item the appeal board ruled:

The need of buses is not questioned. However, the Board does feel that rather than provide for payment of the whole cost out of current revenue, that the School Board should borrow this money over a period of five years. If this were done, no payment would be required this year and the requisitions could accordingly be reduced by three mills.

¹Operating capital is defined as a fund carried from year to year to provide for unforeseen shortages. Floating liabilities are debts that cannot be retired in a current fiscal year but carry over from year to year.

Two principles were apparent in these two cases: (1) capital expenditures or the repayment of deficits, if they were to create too great an impact on the tax burden of the current year by being provided out of current revenue, should be amortized over a longer period of time; and (2) appropriations for expenditures which would not materialize in the current year should not be included in the current budget. The latter point is really a corollary of the principle that school boards should not budget for reserves.

A Case Involving Overestimation

The chief objection of the municipal district appealing in Case 1958-1 was that the school district had excessively overestimated several items in the budget. In making its examination of this, the appeal board was of the opinion that all items, with the exception of one, should not be disturbed. The item that was contemplated for reduction was an estimate of \$31,000.00 for dormitory expenses which during the previous year had amounted to only \$6,000.00. No improvements or additions to the dormitory were contemplated since it had been sold with the condition that the school board continue to pay dormitory operating expenses for a five year period. Before the appeal board could notify the parties to the dispute of its decision, the school district itself offered to reduce the budget and the appeal board confirmed the reduction in its order.

The principle implied in this case was that the appeal board should reduce any estimates which in its discretion it considered unreasonably excessive.

Summary

1. In cases involving reductions, the boards of appeal consistently recognized their limited jurisdiction and in no way considered extra-jurisdictional matters to justify reductions in school board requisitions.

2. The appeal boards ruled that The School Act permitted school boards to requisition only for the funds required to meet its expenditures less total revenue for the year, no more and no less. The only exception to this was the provision whereby a board, with the approval of the Minister of Education, could include an additional amount in the requisition to be set aside as a reserve fund for future capital expenditure.

3. The boards of appeal held that balances and deficits should be included as revenues or liabilities in the subsequent budget. Neither was to be allowed to accumulate to form either working capital or floating liability.

4. Payments for large capital outlays or for the recovery of large accumulated deficits should be spread over a period of time if too great an impact on the tax burden were to be created by financing out of current revenue. If sharp fluctuations in tax rates resulted, appeal boards ordered that requisitions be reduced and that costs be amortized on a long-term basis.

5. Appropriations for expenditures which would not materialize in the current year should not be included in the current budget. Where this occurred, reductions were ordered.

6. Finally, appeal boards held that budget items which were obviously and unjustifiably overestimated should be reduced.

Although only five reduction cases were found which were accompanied

by statements explaining the reason for reductions, enough data were available in the other cases to make sufficiently clear the principles which appeal boards adhered to in making their decisions. Some of these guiding principles were of sufficient latitude to permit boards of appeal to exercise their discretion in judging each individual case on the basis of the accompanying circumstances. Thus it was found to be true that a decision centering around an issue such as the method proposed to finance capital outlay may have been either for or against a reduction. The guiding principle, that the financing of large capital expenditures should not create a sharp rise in taxes, gave the boards of appeal room to decide either for or against a requisition reduction after hearing opinions on the issue from both the appealing municipality and from the school board. In a similar manner the guiding principles involving surplus funds and reserves were also of sufficient scope to allow a decision to go either way.

COMPARISON OF PRINCIPLES WITH THE LITERATURE

The summaries on pages 93 and 101 of this chapter contain the general principles of financial management upon which boards of appeal based their deliberations. A comparison of the points of view held by the boards of appeal was made with the points of view expressed in the literature on school finance in relation to some of these principles. Selected for this comparison were the issues of: (1) financing capital expenditures; (2) accumulating surpluses for operating capital; and (3) reserve funds. These three issues were selected because they were found to be the most controversial of all the issues raised in appeal hearings.

Financing Capital Expenditures

The general principle proposed by the boards of appeal with respect to financing capital expenditures was that the method of paying out of current revenue was unsatisfactory if it resulted in an unreasonable rise in the requisition. If a sharp rise in taxes occurred, the appeal boards ordered that the requisitions be reduced and that the costs be amortized by means of debenture issues. The boards felt this was sound financial management because (1) cost would be spread out and would not create an undue burden in any one year, (2) an opportunity was given to ratepayers to call for a referendum, and (3) succeeding generations of ratepayers, who would benefit from the capital works, would also share the costs.

There are at least two major disadvantages of financing by debenture. One is, of course, the interest charges which amount to sizeable amounts for a long-term loan. Secondly, there may be moral reservations about imposing a financial obligation upon succeeding ratepayers.

Despite the disadvantages of financing capital outlay through borrowing, the principle of paying through bond or debenture issue is generally accepted by authorities on school finance. Mort, Reusser and Polley write:

The practice of borrowing money for the erection of school buildings has been approved so generally that it is now used in most communities and has received more wide spread acceptance than has any other plan. It is generally more feasible than pay-as-you-go, and although it results in greater total cost, it has the advantage of spreading the cost over a period of years.²

These authors add also that it is a principle of good financial

²p. R. Mort, W. C. Reusser and J. W. Polley, Public School Finance (third edition; New York: McGraw Hill Book Co., Inc., 1960), p. 433.

management to keep rates of taxation from marked and arbitrary fluctuations.

Ovsiew and Castetter, while acknowledging the appropriateness of long-term loans for capital expenditures, nevertheless point out that this is not the only plan which might be practical and that the suitability of the finance plan depends upon the financial circumstances of a school district. They list four plans each of which might be the most appropriate in a given circumstance. The four plans that they mention are (1) pay-as-you-go, (2) reserve fund accumulation, (3) short- or long-term borrowing, and (4) any combination of these plans.³

The view of Ovsiew and Castetter is echoed by Johns and Morphet who generally favor long-term borrowing for capital expenditures.⁴ However, they add:

While most school systems must borrow money to finance capital outlay expenditures, no system should finance all such expenditures exclusively from the proceeds of bond issues. All boards of education should have some current funds available annually for school construction.

.....

For most school systems, it appears that a combination plan of financing school buildings partly from borrowed funds and partly from current funds is the best plan.⁵

It was concluded from the literature surveyed that the position that boards of appeal took on the issue of financing capital expenditures was generally supported by writers on school finance.

³L. Ovsiew and W. B. Castetter, Budgeting for Better Schools (Englewood Cliffs: Prentice-Hall, Inc., 1960), pp. 171-173.

⁴R. L. Johns and E. L. Morphet, Financing the Public Schools (New Jersey: Prentice-Hall, Inc., 1960), p. 215 et passim.

⁵Ibid., pp. 229-230.

Accumulating Surpluses for Operating Capital⁶

The appeal boards ruled that The School Act does not permit the accumulation of surpluses to be used as operating capital for unforeseen emergencies or shortages. The spirit of the comments made by the boards seemed to indicate that they felt that this was a sound piece of legislation.

Opinions found in the literature were fairly consistent in their treatment of this issue. In general the writers condemned the practice of accumulating a contingency fund. When they conceded that such a fund might be necessary, they emphasized that it should be restricted to a very small percentage of the budget--at least to not more than two per cent--and that it should come under stringent regulations. The following are some of the opinions found:

The practice of accumulating large balances is a violation of the principle that revenues and appropriations should be balanced. The point of emphasis is not that receipts and expenditures should balance perfectly; frequently they do not. But consistently large balances or deficits indicate laxity in budgetary control and educational planning. The existence of large surpluses increases the chance of revenue losses, and creates opportunities for the development of practices not conducive to sound business administration.⁷

Whether a school system should carry adequate interim funds to tide it over periods of low income or whether it should resort to short-term borrowing when income runs low is dependent partly on the manner in which local management is conducted. Excessive balances or excessive borrowing lead to inefficiency and waste, yet

⁶The word "surplus" as used in this subsection should be distinguished from the word "reserve" as used in the next subsection. "Surplus" refers to balances accumulating at the end of fiscal year which are not carried over into revenue for the next fiscal year but are set aside for contingencies. The surplus in Case 1960-3 discussed on page 108 is an example. "Reserve" refers to a fund, accumulated either from appropriations or from surpluses, or both, which is earmarked for some specific purpose.

⁷Ovsiew and Castetter, op. cit., pp. 100-101.

the structure must permit both balances and borrowing. . .Ketler stated the advantages and disadvantages of interim reserve funds, and defended the thesis that unless depositories pay high rates of interest, interim reserve funds are not economical to the taxpayer. He also pointed out that the practice of building up large reserve funds may lead to overestimations in budgeting.⁸

While a large balance of this kind should result in smaller budgets for debt services, it is not altogether desirable. If the annual receipts and expenditures balance from year to year, the accumulation of a substantial reserve (which the balance on hand actually is) means that the taxpayers are compelled to pay taxes in advance of needs. . .In addition large balances are not always properly safeguarded against loss in the event of bank failure, or against dishonesty on the part of officials responsible for the care and management of funds. Furthermore, large reserves are not conducive to economy since they encourage extravagance and discourage making detailed budgets and living strictly within them.⁹

Authors who favor small contingency funds have this to say:

It would appear that the amount of such emergency or contingency funds should be limited to one per cent or two per cent of the total school budget. . .Certainly the inclusion of large contingency funds would indicate a failure to assess and forecast accurately the educational needs of the community.¹⁰

The budget should provide for a small contingency fund to provide for emergencies and inaccuracies in estimates. Most authorities suggest that the contingent fund not exceed two per cent of the budget if estimates are carefully made.¹¹

De Young accepts the principle that balances and deficits should be included in subsequent budgets as receipts or liabilities. He states that

⁸W. E. Arnold et al., "Business Management--Safeguarding School Funds and Property," Problems and Issues in Public School Finance, eds. R. L. Johns and E. L. Morphet (New York: The National Conference of Professors of Educational Administration, 1952), p. 433.

⁹H. H. Linn, Practical School Economics (New York: Bureau of Publications, Teachers College, Columbia University, 1934), p. 373.

¹⁰A. D. Simpson and E. G. Lake, "The Budgetary Process," Problems and Issues in Public School Finance, eds. Johns and Morphet.

¹¹Johns and Morphet, Financing the Public Schools, p. 405.

the practice of accumulating large surpluses violates the principle that revenues of any given year should pay the expenses of that year. However, he admits that in certain cases the acquirement of modest balances is desirable as a margin of safety against contingencies.¹² When such surpluses are desired, De Young gives this advice:

The surplus should be acquired by open-faced practices. The regular estimates for the budget ought to be carefully prepared in the light of actual needs, and the probable balance that will result therefrom clearly indicated. The surplus is thus calculated before the budget is put to use, and not extracted later, like a rabbit from the magician's hat, from a spot where it was cleverly hidden from the public eye.¹³

The tenor of the quotations and summary just made illustrates that the thinking done by appeal boards on the issue of surpluses finds general support in the literature. The question immediately arises as to what school boards should do if an emergency arises and they have no contingency or interim reserve to rely on. Arnold suggests that in this situation short-term indebtedness may be resorted to.¹⁴ Ketler advises that short-term borrowing is preferable to the maintenance of large operating reserves.¹⁵ The literature was quite emphatic that such short-term borrowings should be repaid during the ensuing year or not later than the following year immediately upon the receipt of revenue. The principle of paying current expenses out of borrowed money except in cases of emergency or unexpected shortages was vigorously condemned.

¹²C. A. De Young, Budgeting in the Public School (Chicago: John S. Swift Co., Inc., 1946), p. 374.

¹³Ibid., p. 375.

¹⁴Arnold et al., op. cit., pp. 443-444.

¹⁵Cited by R. W. Holmstead, "Fiscal Controls," Problems and Issues in Public School Finance, eds. Johns and Morphet, p. 313.

Reserve Funds

Throughout the period covered by this study The School Act stated that school boards, with the consent of the Minister of Education, could budget for an additional amount which was to be set aside as a reserve fund for future capital expenditures.¹⁶ The appeal boards ruled that these were the only reserve funds which were authorized by the Act and that they were not to be confused with surpluses which resulted from budget balances at the end of a budget year. School boards were empowered to create a reserve fund for capital purposes by means of actual requisitions for these funds. They were not empowered to use budget surpluses to create or to add to this reserve. Such surpluses were to be consumed in the ensuing budget.

The matter of building reserve funds for capital purposes receives much attention in the literature on school finance and it is the purpose of this subsection to review the position taken by the authorities on this matter.

A Royal Commission appointed in Alberta to study taxation problems had this to say about the capital fund provisions contained in The School Act.

The building up of reserves by the school board may have its advantages in some specific cases. Nevertheless, the Commission is of the opinion that when the municipality must meet the board's requisition, reserves for capital expenditures in the requisition should be discontinued. In reply to the question by the Commission-- "What do you think of the idea of a school district building up reserves out of their annual requisition for new construction?" J. M. Wheatley for the Alberta Association of Municipal Districts

¹⁶See for example R. S. A. 1955, c. 297, s. 298.

¹⁷Government of the Province of Alberta, Report of the Royal Commission on Taxation (Edmonton: King's Printer, 1948), pp. 66-67.

replied--"I think the only place where reserves should be of any kind is in the taxing authorities' hands; that is, in the hands of the municipalities. When we are bound to meet the requisition, then I think we are the people who should build up the reserves."¹⁷

The view of the Commission is generally not reflected in the literature as witnessed by statements such as these:

The reserve fund method is a fairly economical way to finance building especially in periods of high prices, high interest rates, or both. . . If school districts during World War II, had looked ahead and set up reserve funds, many of our current building problems would have been easier to finance. . . Whenever a district is free of debt and is not in need of a new plant immediately, the reserve fund method should receive careful consideration.¹⁸

Forty states now permit the accumulation of reserve funds. This is an encouraging trend, for the accumulation of these funds, especially for capital purposes, is sound fiscal policy. If reserve funds are carefully managed and linked to the long-term budget, they will be available when needed for large expenditure requirements. This will tend to minimize the incidence of long-term borrowing, reduce debt service costs, and give budget planners more flexibility in marshalling necessary financial resources.¹⁹

The above quotations express the views of other writers as well on the subject of capital reserves. Not all statements of authorities, however, are in harmony. Mort, Reusser and Polley write, "Theoretically, financing school building construction might well be carried on by a combination of building reserve and bonding plans, but in practice there are some rather serious objections to building reserve funds of any considerable size."²⁰ They go on to list these objections as (1) low interest paid by depositories, (2) risk of insecure investment of reserve funds, and (3) poor economy in

¹⁸W. E. Rosentengel and J. N. Eastmond, School Finance--Its Theory and Practice (New York: The Ronald Press Co., 1957), p. 278.

¹⁹Ovsiew and Castetter, op. cit., p. 102.

²⁰Mort, Reusser and Polley, op. cit., p. 435.

the long run. A fourth objection which might be added is that ratepayers are charged for an expenditure which has not yet materialized. This latter objection is one that was stated by an appeal board in Case 1953-1.

It appeared from the literature that the matter of budgeting for extra monies to build capital reserves was debatable. The exact stand of the appeal commissions on this issue was not clearly discernible because no case directly revolving on this issue ever came before the board. However, from incidental statements made in other cases, particularly in cases involving surpluses, the implication seemed to be that boards of appeal were generally not in favor of levies for such reserves. It would have been interesting to see what the judgment of a board might have been in a case where the disputed budget item was the appropriation for a reserve fund, especially when such funds could have been authorized within the terms of The School Act.

SUMMARY AND CONCLUSIONS

Summaries of the findings have been included in the major sections of this chapter and will not be reiterated here. However, on the basis of the findings it is appropriate at this point to draw some conclusions with respect to the various principles of school finance which have been enunciated by boards of appeal and used by them in their deliberations and decisions. The following generalizations were made:

1. Boards of appeal recognized at all times that their jurisdiction was limited to either approving or reducing a requisition. At no time was a requisition reduced if funds were considered necessary. At no time was the judgment of an appeal board imposed upon the educational policies of

a school board. Judgments were passed not upon the educational programs themselves, but upon the manner in which they were financed. No evidence was found of any order which curtailed either directly or indirectly any legal enterprise of a school board.

2. Many worthwhile recommendations were made to school boards with regard to financial management. It appeared in many cases that school boards had created for themselves financial problems due to a lack of consultative services in the area of school finance. This incidental consultative role, perhaps hitherto an unrecognized role, was performed many times by appeal boards.

3. The economic principles stated and followed by boards of appeal find much support in the literature. The boards appeared to have sound knowledge of these principles and applied them with confidence in making decisions.

4. The principles postulated and followed by the boards were consistent from case to case and consistent with one another despite the fact that the membership of the appeal boards changed frequently and despite the fact that these principles were nowhere formally articulated as a guide to action.

5. In following principles that gave leeway to the exercise of discretion, the cardinal maxims followed by the boards were that, in school finance, revenues should equal expenditures and that sharp fluctuations in tax rates should be avoided.

CHAPTER VII

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

It should be noted that each of Chapters II to VI, inclusive, contains a summary and conclusion section. In this chapter an attempt is made to pull together the major findings and conclusions of the previous chapters to give a general picture of fiscal developments in Alberta education, of the nature of and the rationale for fiscal controls, and of the operations of requisition appeal boards in Alberta. The reader should be cautioned that only major statements of summary and conclusion will be given here; where more detailed statements are required, reference should be made to the summary and conclusions of the pertinent chapters.

FISCAL DEVELOPMENTS IN ALBERTA EDUCATION

1. When viewed from a historical perspective, the fiscal autonomy of the Alberta school board has been subjected to an increasing degree of control, such control being exercised both by municipal government and by provincial government.
2. Rising school costs and friction between local school and municipal governments were the two factors responsible for the increasing growth of fiscal dependence of Alberta school boards.
3. The passing of legislation in 1948 establishing a requisition appeal commission was but one of many important and continuing attempts at resolving the problems of rising educational taxes and of strained school-

municipal relations.

4. Three other significant developments in Alberta education have been the reorganization of local school governments into larger units of administration, the establishment of the county system, and the institution of the foundation program of education. All of these developments, together with the establishment of requisition appeal commissions, have worked to make school authorities responsible to external bodies rather than to the electorate in many matters of fiscal policy.

FISCAL CONTROLS AND FISCAL INDEPENDENCE

1. A wide variety of controls over the fiscal activities of school boards was found both in Canada and in the United States. In both countries different measures resulted in different degrees of control, ranging from complete fiscal independence to complete fiscal dependence.

2. The following practices give some idea of the variety of fiscal controls in existence both in Canada and the United States: requisition appeal boards; legal tax limits; finance control boards; prescription of educational programs; integrated local government; public referendum; municipal government approval of budget; and regulation of expenditures by the central government.

3. The western provinces of Canada generally exercise a greater degree of control over the fiscal autonomy of school boards than do the eastern provinces.

4. Arguments for and against fiscal independence for school boards were found to be copious but inconclusive, and based more on opinion, theory, or experience than on research. In practice, both good and poor

systems can be found under either fiscally dependent or fiscally independent school boards.

5. It is suggested by this study that fiscal dependence or independence, when taken alone as a factor, cannot be said to have had a significant effect upon the quality of education that Alberta school pupils have received.

OPERATION OF REQUISITION APPEAL COMMISSIONS IN ALBERTA

1. The legislation making possible the referral of a school requisition by a municipality was enacted in 1948 and amended or affected by other legislation in 1949, 1950, and 1951. Major amendments included the transfer in 1951 of the responsibility for hearing appeals from an appointed commissioner to the Board of Public Utility Commissioners, and a change in 1951 in the terms of reference defining the type of requisition which could be appealed. Prior to 1951 only a requisition which had increased over the previous year could be questioned; in 1951 and subsequently, a requisition did not have to show an increase to be appealed.

2. No evidence was found to show that appeals were improperly constituted. Cases were investigated by holding hearings in a center in the area where the dispute occurred. Representations were made at these hearings by all who were affected by the requisition and also at times by the Department of Education and the Department of Municipal Affairs. Decisions by the appeal commissions were final and binding on all parties and there were no appeals therefrom.

3. Of the forty-seven requisitions appealed during the period 1948 to 1960, thirty-three were approved as originally submitted and thirteen were

reduced by an average reduction of 10.4 per cent. The smallest individual reduction amounted to 4.154 per cent, while the largest reduction amounted to 22.414 per cent. The sum of the reductions of all requisitions that were reduced was \$206,531. This sum amounted to eight per cent of the total of the original amounts of all the requisitions that were eventually decreased and to 0.05 per cent of the total of all requisitions submitted during the period 1948-1960. On an overall basis, therefore, the amount of reduction in total school board spending ordered by appeal commissions was negligible.

4. Despite the operation of appeal commissions, educational expenditures, and the local tax burden in Alberta during the period covered by this study continued to increase steadily with the exception of the three-year period, 1955 to 1957, during which time the tax reduction subsidy effected a reduction in the general local tax rate. The operation of appeal commissions did not stabilize educational costs; however, it was not determined by this study what psychological effect the existence of appeal commissions might have had on the educational and fiscal decisions of school boards.

5. Approximately one-half of the appeal cases occurred in 1948. From 1948 to 1960, an average of two cases per year was heard. The high frequency in 1948 resulted from the facts that 1948 was the first year during which appeals could be made and that friction between school and municipal governments was at its height during this time. The decline in frequency after 1948 was due to the disappointment of municipalities over the lack of success of their appeals.

6. The types of municipal governments that appealed most often were towns, villages, and municipal districts. Cities and special areas launched

only one appeal each while counties and improvement districts made no appeals.

7. The school division was the requisitioning body which was appealed against most often, this being due to the fact that it was one of the largest units of school administration and that it requisitioned more collecting authorities than did any other type of school government. The requisitions of other units of school administration were appealed only infrequently. No appeals were made against the requisitions of separate school boards.

8. Generally, requisitions were appealed for a combination of reasons rather than for one single reason. No combination of reasons for appeal seemed to occur more frequently than any other combination. In descending order of frequency, the following four reasons for appeal were found more frequently than others: excessive increase in mill rate or budget estimates, inequity of assessments or tax burden, objection to educational and administrative policies, and objection to the method of financing capital expenditures.

9. Many of the cases revealed that there was lack of close liaison and cooperation between school and municipal officials and that municipalities were continually concerned over the local ability to pay for the increasing costs of their partner government.

10. Cases appealed on the basis of unfair assessments, disputed educational policy, inequitable taxation, and unsatisfactory inclusion agreements were dismissed on the grounds that matters of this nature lay outside the jurisdiction of the board of appeal. Especially significant was the statement that it was not the intention of the statutes that appeal

commissions exercise judgment over the educational policies of school boards or that they curtail, either by direct interference or indirectly by reducing funds, any educational programs that were authorized by The School Act.

11. Appeal commissions expressed the view that it was their responsibility and their duty in dealing with cases referred to them to direct that school boards implement their programs on the basis of sound financial management.

12. Appeal boards felt that they could properly order reductions in budgets where: (a) substantial reserves had been accumulated; (b) estimates would have resulted in substantial balances; (c) unreasonable capital expenditures were undertaken out of current revenue; and (d) programs of expenditures were beyond all reason.

13. The boards of appeal ruled that if the funds requisitioned were required by school boards to meet their obligations, no reductions should be made.

14. Reductions could properly be made in budget items that were obviously overestimated, provided that these sums did not have to be transferred to other items in the budget which were underestimated or which were outstanding liabilities.

15. Boards of appeal expressed grave concern over fiscal policies which resulted in shortages accumulating to form floating deficits--that is, deficits that could not be retired in a subsequent tax year.

16. Appeal boards held that debenture borrowing for large capital outlay was preferred over other financial arrangements if it prevented sharp fluctuations in the tax burden. In addition, this method had the advantage of giving an opportunity to call for a public referendum on

capital programs.

17. Appeal boards expressed concern over the fact that school boards were not restricted by statutes or regulations similar to those governing other municipal governments for contracting debts not payable within the current year.

18. The boards of appeal held that balances and deficits should be included as revenues or liabilities in the subsequent budget. Neither was to be allowed to accumulate to form either working capital or floating liability.

19. Boards of appeal held that in view of the manner in which school boards acquired their revenue that they should requisition only for monies required to meet expenditures, no more and no less. Budgeting for contingencies, for surpluses, or for reserves was to be avoided.

20. Many worthwhile recommendations were made to school boards with regard to financial management. It appeared in many cases that school boards had created for themselves financial problems due to a lack of consultative service in the area of school finance. This incidental consultative role, perhaps hitherto an unrecognized role, was performed many times by appeal boards.

21. The economic principles stated and followed by boards of appeal find support in the literature. The boards appeared to have sound knowledge of these principles and applied them with confidence in making decisions.

22. The principles postulated and followed by the boards were consistent from case to case and consistent with one another despite the fact that these principles were nowhere formally articulated as a guide to action.

23. In following principles that gave leeway to the exercise of discretion, the cardinal maxims followed by the boards were that, in school finance, revenues should equal expenditures and that sharp fluctuations in tax rates should be avoided.

RECOMMENDATIONS

1. This study has shown that the operation of requisition appeal boards did not prevent those school boards whose requisitions had been appealed from spending those sums of monies which were necessary for the implementation of their educational policies. In addition, in view of the number of school governments and municipal governments in existence in the province, relatively few requisitions were appealed. The question may well be asked whether or not agencies such as requisition appeal boards are therefore really necessary in Alberta education. It is recommended that, before an answer to this question is attempted, study be made to determine: (a) the effect that just the existence of appeal boards has on the educational and financial planning of school boards, and (b) the effect that appeal boards have on the psychological relationships between school boards and municipal governments.

2. This study has tended to show that fiscal independence or dependence by itself is not a determining factor in the quality of educational service provided. However, the problem of whether or not school boards should be independent bodies and whether or not they should possess fiscal autonomy is not clearly resolved either by practice or by research. In other words, if it is assumed that the setting of the broad aims of education is the responsibility of society, it is not at all clear whether these

aims can best be served by an independent school board with fiscal independence or by some other type of governmental arrangement. It is submitted that knowledge of the relationship between school board autonomy and educational achievement is lacking and that the effect of social, economic, and other factors upon this relationship has not yet been determined. As far as could be determined from the literature, research on this problem area has never been carried on in Canada. Because the status of school boards is an issue in Alberta and in other provinces of Canada as well, some research along these lines seems warranted.

3. It is recommended that the provincial government, local governments, and organizations continue to expand their efforts in providing courses, training, information, consultation, and other services for people in public office at the local government level. It was indicated by the requisition appeal cases covered in this study that many problems, financial and otherwise, had been attacked by school boards wisely and well, but that there remained a continual need for guidance, consultation, and inservice training in financial, administrative, and governmental matters.

4. Continued study needs to be given to the problem of financing rising costs of education. This problem is as acute now as it was in 1948 when it resulted in the establishment of requisition appeal procedures. Local ability to pay and the saturation point for local taxation are nebulous concepts and require definition in terms of prevailing conditions. Sources of tax revenue for education other than property taxation may need to be investigated.

5. Some thought needs to be given to the role of the electorate in the matter of the responsibility of school boards for their fiscal and

administrative policies. It is felt by many that responsibility delegated to school boards should be accompanied by the freedom and resources necessary to fulfil those responsibilities, that school boards should be responsible in the main to their electorate for their fiscal and administrative policies, and that school boards elected by the people and advised by experts who function in a consultative capacity are in the best position not only to provide the necessary educational service but also at the same time to conserve the resources of their school community.

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APPENDIX A

SAMPLE CASE REPORTS

APPEAL COMMISSION ORDER
CASE NO. 1948-6

IN THE MATTER OF THE REFERENCE OF YOUR
school requisition for the year 1948 to the
Commissioner duly appointed under the pro-
visions of Section 293a of The School Act
and Section 28a of The School Taxation Act:

BETWEEN:

Municipal District of _____ No. ____
Municipal District of _____ No. ____
and
_____ School Division No. ____

The requisition of the _____ School Division No. ____ was referred to the Commissioner and representations respecting thereto were heard in the Town of _____ on Thursday, May 20th, 1948. The School Division was represented by W. G. _____, Chairman of the Board, J. S. _____, and S. _____, Secretary-Treasurer; the Municipal District of _____ was represented by N. W. _____, Reeve, and D. M. _____, Secretary-Treasurer; and the Municipal District of _____ No. ____ was represented by H. _____, Councillor. Also in attendance was E. W. _____, Superintendent of the School Division.

After due consideration of the representations made the Commissioner directs that the total basic requisition be reduced by 8%, thus the total basic requisition be reduced from \$295,451.65 to \$271,815.52, and the distribution to the contributing authorities for the year 1948 (exclusive of any additional requisition either by agreement of inclusion or by a resolution of the Board) be as set out hereunder:

For the M. D. of _____ No. ____ the requisition of \$1,093.68 will be reduced to \$1,006.09;

For the M. D. of _____ No. ____ the requisition of \$143,020.96 will be reduced to \$131,579.28;

For the M. D. of _____ No. ____ the requisition of \$101,496.64 will be reduced to \$93,376.91;

For the Town of _____ the requisition of \$14,515.78 will be reduced to \$13,354.52;

For the Town of _____ the requisition of \$35,324.59 will be reduced to \$32,498.62.

(SIGNED)

Commissioner.

DATED AT EDMONTON, in the Province of Alberta, this 27th day of
May, A. D. 1948.

APPEAL COMMISSION ORDER
CASE NO. 1959-1

Before:

The Board of Public Utility Commissioners for the Province of Alberta	: IN THE MATTER OF "The Public : Utilities Act": : : AND IN THE MATTER OF "The : School Act": : : AND IN THE MATTER OF an : application by the Minister of : Municipal Affairs for an examina- : tion of the Estimates of the : _____ School Division No. _____. :
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Appearances:

D. R. _____, Secretary-Accountant,
Department of Municipal Affairs

S. _____, Secretary and a Member of the
Special Areas Board, _____, Alberta.

R. B. _____, representing the Department of
Education

H. S. _____, Chairman, _____ School
Division No. ____

W. G. _____, M. A., Superintendent of
Schools, _____ School Division No. ____

H. K. _____, Secretary-Treasurer,
_____ School Division No. ____

N. R. _____, Secretary-Treasurer,
Village of _____

D E C I S I O N

This is an application to The Board of Public Utility Commissioners by the Minister of Municipal Affairs on behalf of the Special Areas Board with Offices at _____, Alberta, for an examination of the 1959 Estimates of the _____ School Division No. ____ pursuant to the Provisions of the School Act.

The application was heard at the Court House in the Town of _____,

Thursday the 9th day of July, 1959. The requisition of the Division for the year 1959 was \$118,639.00 which represents a rate of 40 mills on the total assessment of the collecting authorities within the Division of \$2,965,975.00.

Mr. D. R. _____ representing the Minister of Municipal Affairs outlined the stand that was being taken with regard to the estimates presented by the Division for the 1959. Specifically explanations were requested concerning the following items contained in the 1959 estimates:

Office rent, fuel, phone, light, etc.	\$ 1,200.00
Teachers' salaries	143,000.00
Library books and text books	2,000.00
Caretakers' salaries	8,500.00
Repairs and replacements--buildings.	20,000.00
Other operation and maintenance.	1,200.00
Payment of debenture, principal, interest. .	18,000.00
Interest on current loans and bank charges .	4,000.00
Miscellaneous, bursaries, etc.	3,500.00
Recovery of previous year's deficits	18,723.24

Each of the above items was reviewed by Mr. _____ and by Mr. _____ and detailed particulars were given as to the reason and necessity for the amounts shown in the budget.

The amount estimated for office rent, fuel, phone, light, etc., of \$1,200.00 included an estimated amount of \$400.00 rent for a school building. This was incorrectly classified in the budget and should have been shown as plant rental.

With respect to the teachers' salaries Mr. _____ pointed out that on the average the salaries being paid by the Division were a little lower than the salaries being paid throughout the Province notwithstanding that teachers having third and fourth year training were receiving slightly more than the Provincial average for this classification. He further stated that in establishing the 1959 estimates for teachers salaries the actual salaries paid in 1958 had been used with a 10% increase although he now felt that the increase would probably be more in the order of 12% to 14%.

Mr. _____ pointed out that whereas the estimate in 1958 for library books and textbooks was \$2,000.00 the actual amount expended by the Division for this purpose for the year 1958 was \$5,769.52 and he wished to be advised what caused this increase in expenditure over the amount budgeted and who authorized such increase. In answer Mr. _____ stated that he incurred the expenditure on behalf of the Division and that the large amount in excess of the budget was due to a change in the type of texts being used in the school as a result of curriculum changes which occurred after the budget was prepared. With respect to 1959 he advised that the expenditure of the Division for library books was being restricted to \$1.50 per pupil for the year, estimated at \$900.00, and that including this amount he considered

the estimate for 1959 of \$2,000.00 would be adequate. Following the hearing, in a letter dated July 10th, 1959, addressed to the board, Mr. _____ submitted a detailed breakdown of the estimate for library books and text books which totalled \$2,989.00 and in his letter he stated that it would appear that a conservative estimate for this item would be in the order of \$3,000.00 rather than the \$2,000.00 he had referred to at the hearing.

Mr. _____ reviewed the caretakers' salaries and stated that the Division had recently reclassified all caretakers' salaries on a uniform basis. He stated that larger schools resulted in the necessity of hiring better caretakers and paying more money. The \$8,500.00 currently budgeted included the salary for an additional janitor for the proposed _____ School and he considered that further increases were unlikely at this time.

The 1958 estimate of repairs and replacements to buildings was \$18,000.00 whereas the Division actually spent \$28,961.00. A breakdown of the items making up this expenditure was not available but it was brought out during the discussion of the items in this account that the increase included an approximate expenditure of \$9,750.00 for the construction of two new teacherages and the installation of a new sewage disposal field. Mr. _____ suggested that expenditures of this nature should be financed through debenture borrowings rather than burdening any one year with heavy expenditure for capital items particularly when the assessment base was such that the impact on ratepayers would be heavy for items of this nature. Mr. _____ pointed out that the Division endeavoured to meet all expenditures, including capital expenditures, each year to the limit of its ability and did not favour a policy of incurring any greater amount of debenture borrowing than was absolutely necessary.

The 1959 estimate for the other operation and maintenance expenses of \$1,200.00 represented a \$1,000.00 increase over the 1958 estimate and Mr. _____ wished to have details of the items which made up this amount. Mr. _____ was unable to provide particulars in this regard but promised to furnish the board and Mr. _____ with a schedule setting out such details.

The estimate of \$18,000.00 covering payment of principal and interest on debenture borrowings did not agree with the auditor's report for the year 1958 which showed an amount of \$13,369.75 payable in 1959. In explaining this Mr. _____ advised that the Divisional Board considered that an additional amount would be payable with respect to a further debenture borrowing of \$35,000.00 authorized in 1958. It was found, however, that the first payment with respect to this borrowing would not be necessary until 1960 and accordingly it would appear that the correct amount should be \$13,369.75 as shown in the auditor's report.

Explanations satisfactory to Mr. _____ and to the board were given with respect to the \$4,000.00 interest on current loan and bank charges and with respect to \$3,500.00 estimated to cover miscellaneous, bursaries, etc.

The estimate of \$20,000.00 to cover repairs and replacements to

buildings for the year 1959 included approximately \$6,500.00 for a new teacherage and the extension of an existing teacherage. While the board agrees that it is prudent to meet such expenditures out of revenue to the extent reasonable nevertheless consideration must be taken by the School Division to the impact of such expenditures upon the mill rate of the contributing local authorities.

The remaining item in dispute was the amount of \$18,723.24 which covered the recovery of the accumulative deficit of prior years. Mr. _____ objected to this item being fully recovered in one year and suggested that it be spread over a longer period of time. Mr. _____ of the Department of Education stated that while it was preferable that recoveries of deficits be made as soon as possible he felt that consideration should be given to the impact of items of this nature upon the ratepayers and he felt that perhaps a two-year period should be used for the recovery of this deficit.

Having considered the budget and having heard the explanations provided by the School Division and having regard to the assessment base of the Division which only amounts to \$2,965,975.00 and bearing in mind that the current budget proposed the payment of some items of capital cost out of revenue, the board considers that it would be preferable in this instance to amortize the recovery of the accumulated deficit of \$18,723.24 over a three-year period and that the estimate of the amount required to meet the principal and interest payments on debentures for the year 1959 be reduced to the amount reported by the auditors at \$13,369.75.

Applying these adjustments to the 1959 requisition made by the Division upon the contributing local authorities will have the effect of reducing the requisition from \$118,639.00 to \$101,527.00 calculated as follows:

Requisition upon contributing local authorities	\$118,639.00
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Less:

Reduction in amount required to
service debenture debt in 1959:

Budget provision	\$18,000.00	
Auditor's report	<u>13,370.00</u>	
		\$4,630.00

Deferment of 2/3 of prior years'
accumulated deficits to be
collected in the years 1960 and
1961

<u>12,482.00</u>	
	<u>17,112.00</u>
	\$101,527.00

After considering all the circumstances and the information before the board IT IS ORDERED THAT the requisition upon the Department of Municipal Affairs on behalf of the Special Areas Board and the Village of _____, for

the year 1959, be on the basis of 35 mills which amounts to \$103,809.00 apportioned as follows:

Department of Municipal Affairs	\$95,283.00
Village of _____	<u>8,526.00</u>
	<u>\$103,809.00</u>

DATED AT EDMONTON, in the Province of Alberta, this 29th day of July, 1959.

(SIGNED)
MEMBER

(SIGNED)
MEMBER

APPENDIX B

EXTRACT FROM THE SCHOOL ACT, 1952

EXTRACT FROM THE SCHOOL ACT, CHAPTER 80 OF THE
STATUTES OF ALBERTA, 1952

SECTION 303 - REFERENCES BY MUNICIPALITIES

303. (1) The council of a municipality, or the Minister of Municipal Affairs in the case of an improvement district or special area may, within thirty days of the receipt of the requisition upon it by a district or division, apply to the Board of Public Utility Commissioners for an examination of the estimates of the district or division for the current year.

(2) No application may be made by a council or by the Minister unless the requisition received by the municipality exceeds twenty per cent of the total sum requisitioned by the district or division upon all the municipalities to which requisitions are submitted, or unless the requisition exceeds fifty per cent of the total amount of the requisitions made upon the municipality by all districts and divisions.

(3) The application shall be accompanied by a statement setting forth the respects in which, in the opinion of the municipality, the estimates of the district or division are excessive.

(4) The Board of Public Utility Commissioners, after due investigation and the hearing of representations from the district or division and from the municipality, and from other municipalities included wholly or in part in the district or division if they desire to make representations, may approve the estimates and requisitions, or direct that the requisitions upon the various municipalities be each reduced by a percentage, which it shall determine, and that the estimates be revised accordingly.

(5) The Board may require to be produced and may examine such records and documents as it deems pertinent to the examination.

(6) The Board shall notify the district or division and the municipalities of its decision, which is binding on all parties affected and from which there is no appeal.

(7) In the case of an application involving a school division, the requisitions referred to herein shall be the basic requisitions of the division only, as determined under section 300.

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